Public Sector Reform in Australia: The efficiency and effectiveness of Centrelink and the Job Network

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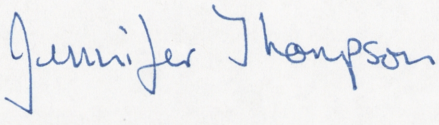
Declaration

I declare this thesis is the product of my own independent research. It contains no material that has been accepted for any other degree or diploma, or any copy or paraphrase of another person's material except where due acknowledgement is given.



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Abstract

When announced, the Australian government was confident that Centrelink and the Job Network would lead to improved efficiency and effectiveness. These outcomes are commonly associated with the application of new public management reform where service provision is separated from policy departments. However, in the public management literature there is widespread debate about the merits of whether this purchaser-provider form of new public management is successful. This thesis employs a case study approach in evaluating Centrelink and the Job Network as examples of new public management reform in which delivery is externalised from the policy departments. Both longitudinal and cross-sectional analysis seeks to determine whether efficiency and effectiveness have improved over a period that includes from when these services were delivered by departments of the state through to delivery by Centrelink and the Job Network.

A central theme in new public management reform is that cost savings are delivered if the public sector separates its services delivery components or delivery is undertaken in competitive markets. To assess whether cost savings have been achieved, this thesis takes account of the costs involved in providing income support and employment services and links these to the programs delivered over a period of time before, during and after the introduction of Centrelink and the Job Network. The data sources for the efficiency evaluation are the annual reports and financial statements of the relevant organisations.

Supporters of new public management reform claim that separating service delivery leads to an improved quality of delivery for the end-users of services. In examining this claim, the thesis measures service effectiveness according to the results of customer satisfaction surveys. The satisfaction survey instruments examined for this purpose were obtained through Freedom of Information requests to the Department of Employment and Workplace Relations and Centrelink.

The longitudinal analysis demonstrates that the delivery of income support and employment services by Centrelink and the Job Network are no more efficient than the prior delivery arrangements. Similarly, in terms of customer satisfaction, the

analysis indicates that job seekers maintain a general range of satisfaction and that improvements have not taken place since the establishment of Centrelink and the Job Network.

The cross-sectional analysis compares the efficiency and effectiveness of Centrelink to the services delivered by the Department of Veterans' Affairs (DVA) – a department that delivers similar programs to Centrelink, but has not undergone a split in its policy and service delivery functions. This analysis shows that DVA is able to deliver income support payments at a similar cost per customer as Centrelink's delivery of the age pension and disability support pension. Also, DVA is able to achieve very high levels of customer satisfaction in the delivery of its services.

This thesis adds to the body of evidence providing support for public sector delivery that takes place within departments being no less efficient or effective in the delivery of services than reformed delivery systems that separate and externalise these services. It is suggested governments should turn greater attention towards understanding how organisations achieve success in their efficiency and effectiveness, rather than emphasising the form such delivery should take.

Table of Contents

List of Tables

Chapter 8: Cross-sectional analysis – the efficiency of Centrelink and the Department of Veterans' Affairs

Chapter 9: Measuring customer satisfaction

Chapter 10: The job seeker satisfaction survey instruments

Chapter 11: The service effectiveness of Centrelink

Chapter 12: The service effectiveness of the Job Network

List of Charts

Chapter 5: Efficiency – the overall costs

Chapter 6: Efficiency and social security programs

Chapter 7: Efficiency and employment programs

Chapter 8: Cross-sectional analysis – the efficiency of Centrelink and the Department of Veterans' Affairs

Chapter 11: The service effectiveness of Centrelink

Chapter 12: The service effectiveness of the Job Network

Chapter 13: Cross-sectional analysis – the service effectiveness of Centrelink and the Department of Veterans' Affairs

List of Diagrams

Abbreviations

ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Services
ANAO	Australian National Audit Office
CATI	Computer-Assisted Telephone Interview
CES	Commonwealth Employment Service
DEET	Department of Employment, Education and Training
DEETYA	Department of Employment, Education and Training and Youth Affairs
DEST	Department of Education Science and Training
DETYA	Department of Employment, Training and Youth Affairs
DEWR	Department of Employment and Workplace Relations
DHS	Department of Human Services
DSS	Department of Social Security
DVA	Department of Veterans' Affairs
ICCS	Institute for Citizen-Centred Service
OECD	Organisation for Economic Cooperation and Development
NCA	National Commission of Audit
PfWA	Preparing for Work Agreement
SES	Senior Executive Service

Chapter 1: Introduction

In the late 1990s the regional office network of the Department of Social Security (DSS) and, within the employment department, the Commonwealth Employment Service (CES) were replaced by alternative service delivery mechanisms. A specialised government service delivery agency, called Centrelink, was established to deliver all of the network services of DSS, including functions of the CES relating to the registration and assessment of unemployed people. The employment assistance functions of the CES became outsourced to private and non-profit firms, collectively called the Job Network, that compete in a tender and performance-based process to deliver the government's employment services. These changes were introduced as part of an international trend in reform called 'new public management'[1]. These reforms recommend the introduction of changes to improve the efficiency and effectiveness of publicly-funded services.

The Australian government believed Centrelink and the Job Network would introduce substantial and long-term benefits. The then employment Minister (Vanstone 1996) considered Centrelink would offer "significant potential for service improvement and efficiency savings" (p.51) and the Job Network would "achieve better value for money" (p. vii) and "significantly enhance the quality of services to job seekers"

[1] Examined in greater detail in Chapter 2, 'new public management' is the term commonly applied to a range of public sector reforms applied from the 1980s that sought to introduce private sector management techniques and competitive markets in the delivery of publicly-funded services.

(p. 13). Furthermore, the employment department has noted that "[t]he Minister also explained that rather than simply cutting spending within the existing policy framework, the Government sought improvements in efficiency and effectiveness through structural reform." (DEWRSB 2000c, p. 12)[2].

This thesis examines Centrelink and the Job Network as examples of organisations reflecting the new public management approach to service delivery in the public sector where service provision is separated from the policy department. Aspects related to the efficiency and effectiveness of these organisations is considered. The question asked is whether there is firm evidence that efficiency and effectiveness have improved since that time when these services were delivered by DSS and the CES.

Traditionally, the approach to organising public bureaucracies involves the provision of state services being undertaken by large departments that combine policy development and service delivery within a hierarchical structure. However, this traditional bureaucratic model is considered rule-bound, fostering inflexible decision-making and promoting a risk adverse culture that reduces the effectiveness of programs. In addition, the theories behind new public management suggest that bureaucrats under the traditional model are driven by personal preferences that results in budgets being maximised, producing wastage and inefficiencies.

Alternative methods of service delivery, such as Centrelink and the Job Network, are based on the belief that purchaser-provider models and competitive markets are more efficient and effective than the traditional bureaucratic approach. However, achieving the expected efficiency and effectiveness outcomes by reforming bureaucratic structures is far more uncertain than it is guaranteed and many writers caution against the use of structural solutions in the search for performance and service improvements (Boyne 2003a; Hood 2000; Kettl 1997; Peters and Savoie 1994; Pollitt 1995; Rhodes 1994).

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[2] Referring to the then education Minister, Dr David Kemp, in a speech to the Meeting of OECD Labour Ministers, 1997, titled Enhancing the Effectiveness of Active Labour Market Policies, Australia.

Aim and scope

The aim of this thesis is to explore public sector reform of the late-twentieth century through the examples of Centrelink and the Job Network. To understand why these arrangements have come about, what it was hoped would be achieved, whether or not it appears reform has been successful and what the results imply for the theories that support new public management. The thesis is particularly concerned with the relationship between reform and its intended effects, comprising the commonly stated objectives of public sector reform – improving efficiency and effectiveness. Whilst many other impacts, both positive and negative, are also associated with public sector reform, they are not the central concern of this thesis. This is not to suggest other impacts are less important for the purpose of research. All impacts of reform, major and minor, stated and unintended, should be understood and carefully weighed in decisions that adjust and restructure the ways that government programs are delivered.

Centrelink and the Job Network provide high-profile and large-scale examples of organisations that contribute to the debate about the impacts of public sector reform where service delivery is separated from policy departments. They were chosen for this study for a number of reasons. Both are closely connected and deal with a common customer base – job seekers. Part of the reasons put forward for establishing Centrelink was to absorb some of the functions previously provided by the CES, thereby facilitating the introduction of the Job Network. An advantage in examining Centrelink and the Job Network is the organisations offer for analysis two different types of new public management reform that exemplify purchaser-provider arrangements – agencification and outsourcing. In addition, an important consideration is being able to track over a lengthy period the criteria chosen for measuring the performance of the organisations before, during and after reform. Lastly, the reform is able to be linked with the objectives of new public management – efficiency and effectiveness.

Centrelink and the Job Network have been subject to a great deal of research, particularly about the impact of the reform on disadvantaged unemployed people. However, little independent research has sought to examine the efficiency of the

arrangements, in terms of the costs and the services provided, or the impact on service effectiveness, as defined by end-user satisfaction. This thesis seeks to close this gap.

The evaluation does not examine the extent that structural reform is responsible for achieving greater cost efficiencies or improved customer satisfaction. The reasons for improvements in efficiency and effectiveness are many and the extent that any single variable is responsible is a complex issue that requires sophisticated analysis. But, the first step in this process is to establish whether the desired objectives of efficiency and effectiveness have been achieved. If it is the case that efficiency and effectiveness are improved, then further research may proceed to examine whether or not, or to what extent, the structural reforms that resulted in the establishment of Centrelink and the Job Network are responsible.

The thesis also makes no claim of being able to generalise the findings to the wider sphere of public sector reform. The circumstances surrounding reform are highly variable and the results contingent on numerous factors. However, the thesis does provide a distinctive method of examining the outcomes of public sector reform that may have application to other case studies. In addition, key findings may be linked with other research, providing a broader platform to develop generalisations about the success or failure of public sector reform.

Defining the terms

Foremost in conducting an evaluation of efficiency and effectiveness in public sector reform is to be clear about the way these terms are defined. The means by which efficiency and effectiveness will be measured in this thesis is cost efficiencies and customer satisfaction respectively. This section provides a brief explanation for adopting these definitions.

Efficiency

The idea that delivery of a publicly-funded service will become more efficient if its provision is undertaken by the private sector, or the public sector provider adopts private sector management practices, is a central theme in new public management.

While efficiency in the context of public sector reform is commonly undefined, the generally accepted use of the term is connected with the relationship between inputs and outputs and achieving value for money (Pollitt 1998).

Centrelink and the Job Network are not exceptions in being associated with reform that is generally concerned with cost savings. One of the key considerations that guided the reform was "in a tight budgetary environment, to achieve better value for money in the expenditure of taxpayers' funds" (Vanstone 1996, p. 2). This key objective most likely relates to the more familiar input-focused definition of efficiency, in which a decrease in inputs is sought while the same amount of outputs is maintained. However, an output-focused efficiency meaning, in which an increase in outputs is sought, for the same level of inputs, is also possible. Using this common public sector approach to efficiency, this thesis will adopt a definition that is inputs-outputs focused and seeks to understand the costs of the arrangement, while taking account of the services provided.

Effectiveness

Generally, evaluations of effectiveness consider whether program goals are reached. For instance, in the case of the Job Network, effectiveness evaluations commonly judge the impact of this reform on achieving sustained employment outcomes for job seekers. These evaluations are important in determining the impact of reform on disadvantaged groups and contribute to debates about the role of government and how publicly-funded services should be delivered.

However, for the purpose of this thesis, the evaluation will consider performance in the area of service effectiveness. Improvements in service delivery are often linked with new public management reforms and Centrelink and the Job Network as primarily service delivery agencies provide suitable examples. Because job seekers are the end-users of the services, their thoughts and opinions are a significant factor in determining service effectiveness and a strong indicator of service quality. Accordingly, the thesis will measure service effectiveness according to the results of job seeker satisfaction surveys.

A consideration of the level of service quality is commonly linked with efficiency reforms to ensure that lowering inputs, while maintaining outputs, is not achieved at the expense of quality (Boyne, Farrell, Law, Powell and Walker 2003). When combined with the results of the efficiency analysis, the definition of effectiveness chosen for this thesis provides a more complete picture of the overall outcomes of the reform, as account is taken of measures that consider inputs, outputs and quality.

Method of inquiry

In the context of evaluating public sector reform it has been noted that "evaluation requires not only precise measurement and methodological rigour, but also theoretical depth" (Boyne, Farrell, Law, Powell and Walker 2003, p. 5). When these authors emphasise the role of theory in the evaluation design process, they are placing value on the importance of developing questions that enable conclusions or judgements to be formed that connect with the objectives of the program being evaluated. In this way, an evaluation is able to provide information that assists in theory development and has practical implications for program design. This evaluative approach, as acknowledged by Boyne and his colleagues, is most commonly associated with Chen (1990) who emphasises the importance of examining the theory that drives a program and conducting evaluations with the program theory in mind. Using a theory-driven evaluation approach, this thesis seeks to understand the program theories relevant to the application of new public management. These theories are outlined in Chapter 2 of this thesis. In addition, the choice of efficiency and effectiveness, as the evaluative criteria, enables an analysis that takes account of the principal outcomes supported by the theories underlying new public management.

The central method of analysis comprises a longitudinal study that commences in 1993-94 and ends with the 2003-04 financial year. This period of time captures a number of years before Centrelink and the Job Network commenced, and includes the first seven years of the operation of Centrelink and the first six years for the Job Network. The evaluation period ends in 2003-04 as this is the last financial year

before extensive changes were announced that altered the administrative arrangements.[3]

Data for the efficiency analysis was sourced from the publicly available annual reports and financial statements of the relevant departments. These documents provide comprehensive descriptions of the programs delivered and the costs involved in their delivery. The reports are also prepared in accordance with requirements applying throughout the Australian Public Service and this ensures consistency and comparability in the information provided by the different organisations over time.

Throughout the analysis all costs are converted to 2004 dollar values and these are calculated according to increases in the Consumer Price Index. This approach enables changes in the value of the dollar to be taken into account and ensures the comparison of costs over different periods is not rendered meaningless. All amounts are provided in Australian dollar values.

For the effectiveness criteria, the data was sourced from numerous job seeker satisfaction surveys. Most of these surveys are undertaken by specialised consumer research companies and the data contained in these surveys is extensive. However, as these surveys are not publicly available, a Freedom of Information request was required to gain access. Appendix 1 lists the surveys provided as part of this request. The methodologies used in these surveys are of a high standard and the results provide the opportunity to make reasonable general observations about the trends in job seekers' satisfaction.

In addition to the longitudinal assessment, a cross-sectional analysis is also undertaken comparing Centrelink to the services delivered by the Department of Veterans' Affairs (DVA). This department is an example of an organisation that

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[3] In October 2004, at the beginning of the fourth Howard Ministry, administrative rearrangements removed Centrelink from the social security portfolio. A new Department of Human Services was established that incorporated a number of delivery agencies, such as Centrelink, the Health Insurance Commission and the Child Support Agency. This restructure established a distinct split between the policy and delivery functions that previously involved the delivery agencies remaining within the same policy portfolios. The administrative rearrangements also removed from the social security portfolio the policy responsibility for working-age income support payments and placed these with the employment department.

delivers similar programs to Centrelink, within a comparable environment, but DVA has not undergone a split in its policy and service delivery functions.

Thesis structure

This thesis comprises 14 chapters with the first three chapters establishing the scene. The next ten chapters are concerned with the central question of the thesis – whether there are indications that improvements in efficiency and effectiveness have taken place since Centrelink and the Job Network replaced the previous delivery arrangements. The final chapter concludes the thesis.

This introductory chapter establishes the framework for the research, briefly setting the scene and explaining the methods by which the inquiry of efficiency and effectiveness is undertaken. Chapter 2 places the research into the overall context of public sector reform and describes the theories that support new public management reform. Other drivers of reform, in addition to the theoretical drivers, are discussed and this leads to a description of the circumstances surrounding the establishment of Centrelink and the Job Network. Chapter 2 then proceeds to consider the reforms in practice and, recognising that new public management reforms are not always successful, examines theories contrary to those that support the reforms and discusses potential problems with the implementation of public sector reform. Chapter 3 establishes how the evaluation will be conducted. An account of evaluation theory and practice assists in this process. Three central elements of a sound evaluation approach are identified – the purpose, parameters and methods of evaluation. The requirements for meeting these three elements are discussed in the explanation of the evaluation methodology adopted for this thesis.

Chapter 4 commences the evaluation task by exploring the idea of efficiency and how the measurement of efficiency is applied in assessments of public sector reform. While the term 'efficiency' is shown to incorporate various meanings, its usage in public sector reform is commonly associated with reducing the level of inputs while emphasising an outputs focus for the services produced. This chapter also explores the measurement of efficiency in public sector reform by examining previous efficiency assessments of Centrelink and the Job Network. In Chapters 5 through to

8, the evaluation is undertaken of whether improvements in efficiency have taken place since Centrelink and the Job Network were introduced. Data is examined to determine the costs of the arrangements and take into account the services provided. The assessment includes an analysis of the issues that relate to staffing, given the substantial resources that are invested in the number of staff for service delivery organisations. On the basis of the findings it is concluded that Centrelink and the Job Network are not more efficient than the previous structures of delivery and, therefore, that one should be guarded about claims suggesting Centrelink and the Job Network are more efficient in their delivery than DSS or the CES.

In using the attribute of end-user satisfaction as an indicator of service effectiveness, Chapter 9 explores the meaning of satisfaction, including the theories relating to its formation and measurement. The main problem identified with customer satisfaction involves the subjective nature of its measurement and how this produces wide variations for customer satisfaction results when, objectively, the same quality of service is delivered. Chapter 10 provides detailed descriptions and an assessment of the job seeker satisfaction survey instruments used in this thesis. Chapters 11, 12 and 13 examine the findings of the satisfaction surveys to determine whether improved levels of satisfaction are evident in the period since Centrelink and the Job Network replaced DSS and the CES. For Centrelink, surveys from the employment department suggest improvements in customer satisfaction have occurred since 2003. However, contrary findings from Centrelink surveys, and other factors, suggest improvements in customer satisfaction levels may not have taken place. For the Job Network, the analysis indicates no increases in the satisfaction of job seekers have occurred.

Chapters 8 and 13 undertake the cross-sectional comparisons of efficiency and effectiveness with the services delivered by DVA. The results suggest a combined approach to policy development and service delivery can be as cost effective and deliver as high a quality customer service as externalised delivery arrangements.

Chapter 14 concludes the thesis and contains three parts. The first part provides a summary of the main findings. The second part discusses the implications of the findings for the theories behind new public management reform and the third part considers future research prospects.

Conclusion

This investigation into whether the claims of greater efficiency and effectiveness of Centrelink and the Job Network are reliable provides an opportunity to explore a tangible application of new public management reform in which service provision is separated from policy departments. The findings add to the body of evidence that demonstrates the combined approach of developing policy and delivering services within a single department can be as efficient and effective as externalised delivery structures. Therefore, the findings cast doubt on claims that reforming public sector delivery systems to establish purchaser-provider arrangements that separate service delivery or outsource its provision, will provide improved efficiency and effectiveness.

Over time, the ways that Centrelink and the Job Network have developed indicates the government is unwilling to relinquish control of the delivery aspects of its services. Administrative rearrangements in 2004 reduced Centrelink's autonomy and brought the organisation under greater government control. For the Job Network, highly prescriptive contracts have evolved over time ensuring that job seekers are provided with minimum service standards. Perhaps these changes indicate the pace of reform is slowing and the Australian government is reflecting on directions for the delivery of its welfare services. Results, such as those arising from this study, suggest that governments should turn their attention towards understanding how organisations, both private and public, excel in delivering efficient and effective services, instead of emphasising the structure through which such delivery takes place.

Chapter 2: The context – Public sector reform

The purpose of this chapter is to position Centrelink and the Job Network into the wider context of public sector reform. The chapter begins by undertaking a brief historical account of the development of the modern public sector. Against this background, attention is turned towards the reasons why new public management reforms came about. Three main drivers of reform — ideological, theoretical and environmental — are discussed. The chapter is then able to situate and explain the people and events that led to the establishment of Centrelink and the Job Network and considers the types of new public management reform these agencies represent.

Finally, in recognising the desired outcomes of public sector reform do not necessarily eventuate, the chapter also explores reasons why new public management reforms may not be successful. First, contrary theoretical positions to the ideas of new institutional economics are examined and an alternative theory, stewardship theory, is described that offers a different explanation for the motivations of bureaucrats. Second, operational aspects that may be compromised by public sector reforms are discussed.

Historical background

The key ideas about the role of the modern public sector can be traced back to the late-eighteenth century and the writings of Adam Smith (Emy and Hughes 1991). The three key duties for government identified by Smith were protecting national

defence, administering internal systems of justice to ensure citizens behave according to society's laws and providing public goods that would otherwise not be available (Emy and Hughes 1991, p. 382). These ideas suggested a minimal role for government in regulating the economy and reversed the system of mercantilism that had previously operated. It was believed that minimal state intervention and unfettered market processes would provide incentives for self-betterment and lay the foundations for increased standards of living.

However, industrialisation, combined with a laissez-faire approach by government, provided wealth for some, but great hardship for many others. On this point, in writing about the origins of the modern state, Woodrow Wilson considered that in the United States "[t]he government had, in fact, been originated and organized upon the initiative and primarily in the interest of the mercantile and wealthy classes." (quoted in Raadschelders 2000, p. 509). During this early period, populations grew, cities expanded and problems, such as inadequate housing and poor health, became widespread. In addition, the exploitation of workers, particularly the working conditions of children, became a concern and the role of government in an economic system that resulted in such hardships was subject to much debate.

Furthermore, the structure of public bureaucracies in Anglo-American countries that were based on systems of patronage where public officials were commonly politically prejudiced and highly corrupt was questioned.[4] By the mid-nineteenth century there was strong pressure for governments to intervene in economic systems to alleviate the socially undesirable impacts of unbridled capitalism and to respond to the highly inefficient public sector bureaucracies that had developed as a result of employment based on obligations, rather than abilities.

State involvement in the economy led to the development of the welfare state that promoted an interventionist role for governments in relation to the wellbeing of its citizens. Changes to remove the patronage elements of public sectors were also progressed. For example, in the United Kingdom, the Northcote-Trevelyan Report of

[4] One of the more dramatic examples of public sector fraud dates back to the 1830s when the Collector of the Port of New York absconded to Europe with over $1,250,000 of public monies (United States Office of Personnel Management 2003, p. 185).

1853 transformed the British civil service and introduced examinations for entry and merit-based promotions to establish a qualified civil service that would serve the government of the day and be unaffected by the political system (Duggett 1997).

In Australia, the colonial powers also sought to combat corruption as a major priority and took their cues from the Northcote-Trevelyan reforms. Each of the six governing colonies established legislative frameworks embodying principles similar to those introduced into the United Kingdom and that, in time, would be adopted by the Australian government for the federal public service (Australian Public Service Commission 2003).

Of particular concern in the United States was solving the administrative chaos that would occur upon each change in elected government as a multitude of persistent office seekers petitioned the President and Congress for employment under the 'spoils system' (United States Office of Personnel Management 2003). The administrative reforms embodied in the Civil Service Act of 1883 replaced the spoils system with a merit-based system of public service recruitment and promotion, except for the most senior levels that remained political appointments.

The rise of industrialisation had also led to the development of ideas about the ways that large-scale, mass production could be organised. A number of writers from this period, such as Charles Babbage, Henri Fayol, Federick Taylor and Max Weber, sought to identify universal principles of design and management that would result in the one best way to organize and accomplish activities. With the role of the public sector expanding, the principles developed by such writers were incorporated into public bureaucracies as governments searched for structures that were believed to provide honest, efficient and effective means for developing and delivering public programs.

These pressures and the solutions offered led to the development of the classical or traditional model of public administration. The early reformers sought public sectors that would be trusted, respected and comprise suitably qualified workers committed to serving the cause of good government. This involved establishing permanent, merit-based, public services that were responsive to elected governments. Operationally,

formal organisational structures developed that were based upon a division of labour and hierarchical authority.

Public sector reform in the late 20th century

During the twentieth century, governments at all levels expanded in their size, scope and degree of control in society. Factors such as the Great Depression and two world wars have been put forward to help explain the high levels of government intervention that developed. During the 1950s and 1960s the adoption of Keynesian economics supported interventionist government policies and consequently expansive social programs were pursued by Anglo-American governments. Whilst the traditional model of public administration operated virtually unquestioned during this time, in the latter half of the twentieth century many countries began to question whether their public services could be made more efficient and effective. Such questioning resulted in the planned restructure of public bureaucracies that involved a deliberate change to the structures and processes of public sector organisations with the objective of getting them to run better (Pollitt and Bouckaert 2000, p. 8).

The ideas underlying the reforms and the approaches adopted are commonly referred to as 'new public management', although understanding exactly what this means is not straightforward (Hood 1991). Thomas writes that:

> New Public Management is clearly a many-splendoured thing. As critics have noted, it is not a unified and consistent set of principles, but rather an agglomeration of ideas about how governments should redefine their roles and change how they deliver services. (Thomas 1998, p. 369)

Similarly, Rhodes (1994, p. 140) explains that new public management does not refer to any one idea, but to the current fashionable set of ideas that is driving public sector reform. Barzelay (2000) comments on how the new public management literature presents as a disorderly field that makes the subject difficult to teach. To Barzelay (2000), new public management comprises an abstract field of professional and policy discussions, conducted on an international level and describing recent changes in public sector management. Such confusion may relate to the inconsistent and at times disorganised, piecemeal ways that countries have approached the reform of their

public sectors. However, the solutions adopted in new public management are derived from a shared belief and there is a common set of interventions that are chosen from, providing a framework enabling new public management to be discussed. This shared belief is that private sector management techniques and competitive markets are more efficient and effective than traditional public bureaucracies. For example, it is argued that hierarchical control results in delayed decision-making, while adhering to rules and regulations leads to inflexibility, unnecessary formalities and reduces the capacity of bureaucrats to take risks. The common set of interventions put forward by new public management include:

- a change in focus from inputs and processes to outputs and outcomes;
- the use of private sector management practices;
- an increase in program measurement such as performance indicators and standards;
- the growth of smaller, specific and autonomous organisations that replace large, multi-function, hierarchical departments;
- the use of contractual or contract-like arrangements in place of authority relationships;
- the development of market or market-like devices for the delivery of public services;
- an intermingling of the boundaries between the public and private sectors; and
- an emphasis on cost-cutting.

(Hood 1991; Pollitt 2002)

These commonalities in beliefs and interventions are sufficient for new public management to be "counted as a single movement" (Mulgan 2003, p. 151).

The drivers of reform

When the Australian Coalition government was voted into office in 1996, the Minister responsible for the public service stated that, "the challenge of public service reform is substantial and urgent" (Reith 1996, p. 6). The idea that the Australian public sector required reform was not unique and the new government acknowledged "the Australian Public Service has made some progress over the last decade" (Reith 1996,

p.10). However, the Minister also thought "the pace of change has been neither as fast, nor as far reaching, as required" and "the Government intends to accelerate the process of public service reform as an integral element of the broader reform agenda" (Reith 1996, p. 10).

This section of the chapter examines the drivers of public sector reform in the second half of the twentieth century, examining the reforms that had taken place prior to Centrelink and the Job Network and seeking to understand why the Minister for the public service considered substantial public sector reform remained an urgent requirement.

Ideological drivers

An ideology is a set of beliefs and values that influence behaviours and act as justifications for action. The ideological drivers of public sector reform often link to deeply held and generally unquestioned beliefs about the nature of people in society, the role of institutions and how governments play into this. Therefore, operating as powerful drivers of reform, ideological value patterns enable specific political interests and agendas to develop that facilitate the introduction of reform.

The ideological frameworks most commonly associated with public sector reform are neo-liberalism and individualism (Bevir and Rhodes 2003; Pollitt 1990). Neo-liberalist ideology advocates free trade and deregulation and a key influence is the philosophy of Adam Smith who, in the eighteenth century, promoted free enterprise and a reduced role for the state in the economy (Emy and Hughes 1991, p. 383). Individualism promotes the merits of individual rights, including the role of the state in supporting an individual's right to act in self-interest, provided the liberties of others are not infringed. The ideology of individualism is concerned that a powerful bureaucracy may expand to the point that individual liberties are undermined.

In his account of public sector reform in New Zealand, Scott (2001) recognises the influence of ideological positions in the adoption of reform. However, Scott (2001, p. 30) also considers the ideological arguments are "peripheral to important issues about the effectiveness of various management methods". Similarly, whilst Schick

(1996) acknowledges the power of ideas in giving leaders the confidence to introduce specific policies, he considers contemporary reform is related to ideas and practices that promise improvement in government services, with ideology not figuring prominently.

However, the views of Scott and Schick about the role of ideology in the development of public sector reform are not necessarily shared and may be self-serving. Other writers consider the role of ideology to be very powerful in providing the platform that public sector reform is built upon and an important part of the explanation for the introduction of reforms (Argy 2001; Bevir and Rhodes 2003; Peters and Savoie 1998; Pollitt 1990; Tupper 2001).

The ideological framework of new public management is commonly found in the statements of political leaders. For example, Margaret Thatcher, the British Prime Minister credited with leading the way in public sector reform, commented that government had, "to put its faith in freedom and free markets, limited government and strong nation defence" (quoted in Rhodes 1994, p. 140).

However, the ideological support for new public management is not driven solely from neo-liberalist thought. Others note that socialist governments also initiated the processes of public sector reform in Europe (Toonen and Raadschelders 1997). Explaining the broad ideological appeal of new public management, Tupper (2001, p. 152) comments on its "ideological flexibility". This occurs because both social democrats and centrists are supportive of the ways that new public management claims effective delivery of public services at less cost and with an extension of democratic principles. For example, the role of government is not necessarily reduced, but becomes more restrained in the expenditure of public monies. At the same time, the decentralised decision-making promoted by new public management minimises the power some perceive to be residing in large bureaucracies and opens the way for greater community participation in the decision-making processes of government.

Theoretical drivers

Closely linked to ideological drivers are the theories that support the general directions that have been progressed in public sector reform since the late 1970s. It is often the case that the role of theory is ambiguous, as reformers do not necessarily account for the theoretical underpinnings of their reforms. Perhaps one of the few exceptions is the country of New Zealand in which the direction of reform was highly structured and strongly influenced by the application of economic and administrative theories (Boston, Martin, Pallot and Walsh 1996, p. 16).

In analysing the literature, two major schools of thought are identified as important influences for the design of public sector reforms in the late-twentieth century. These schools are the highly analytical propositions put forward by the 'new institutional economics' and the more pragmatic suggestions contained in 'managerialism'.

New Institutional Economics

New institutional economics describes a field of study that combines a number of disciplines within an economic framework (Scott 2001). These disciplines include organisational theory, political science, sociology and law. New institutional economics is differentiated from the 'old' institutional economics that took a more traditional microeconomic view and treated transactions either as market exchanges or deviations from these (Coase 1998). New institutional economics takes a broad focus and considers that institutions governing the performance of an economy have a particular influence. Accordingly, the discipline uses the tools of economic theory to study the institutional environment, including the interrelated structure of firms and the institutes of governance, incorporating the legal, political and cultural systems (Coase 1998; Williamson 2000).

The central focus of new institutional economics is to frame relationships in terms of contracts, either implied or explicit, where the parties have different interests, but cooperate for their own purposes (Schick 1996). Therefore, much of the literature on the theory deals with the design of contracts and how incentive alignments operate within these (Eisenhardt 1989; Nilakant and Rao 1994). The ideas behind incentive

alignments encompass public choice theory and agency theory.[5]

Public choice theory

Public choice theory was developed during the 1960s and brings an economic approach to the study of bureaucracies that is based on the purposive behaviour of bureaucrats. The theory places central importance on the behaviour of bureaucrats who are believed to choose among a set of possible actions that will maximise their personal utility (Niskanen 1971). This contrasts with the sociological perspective that underlies traditional accounts of bureaucracies and places the behaviour of individuals as subordinate to the study of organisations themselves.

In the economists' theory of the firm, the central motivation of a business person is to maximise the profits of the firm as this ensures organisational survival and is a rational means to provide individual utility maximisation. Similarly, Niskanen postulates that for bureaucrats the central motivational preferences are commonly linked to actions that maximises returns. For example, salary, public reputation, power, patronage and output of the bureau, constitute variables that are involved in the rational choice of bureaucrats and are associated with budget maximisation (Niskanen 1971, p. 38). Public choice theory also explains how bureaucrats maximise their budgets by accumulating tasks within their policy areas, taking advantage of their monopoly environments and hiding the actual costs of producing services (Pollitt, Birchall and Putman 1998).

Niskanen's public choice theory does not necessarily infer that public bureaucracies are inefficient, although this link is often made. Rather, public bureaucracies are considered wasteful in producing more services than required or in offering a superior service when a mediocre service would suffice. Alternatively, the utility maximising

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[5] Attention is also directed towards transaction cost economics. Although not a theory as such, transaction costs play an important role in economic models. Transaction cost economics considers the internal governance structures of organisations as having an economic purpose and effect and therefore moves beyond the classical economic approaches that viewed the firm as a black box. As such, in transaction cost economics, the costs of internal organisation can be compared with the cost of alternative arrangements, such as contracts, to suggest when tasks should be undertaken within firms as compared to using markets (Jensen and Meckling 1976).

behaviour of public servants provides the incentive to produce as little services as possible and thereby retain funds for other purposes or assist in the bid for additional funds (Peters and Savoie 1998).

A modification to public choice theory explains the acceptance by senior bureaucrats of the downsizing that often takes place in public sector reform. The 'bureau-shaping model' proposes that budget maximisation is only one of a wide range of options that bureaucrats adopt in pursuing self-interested goals (Dunleavy 1985). An alternative strategy is for bureaucrats to reshape their organisations to retain high profile and high status tasks. In this way, the model accounts for bureaucratic acceptance of the common public sector reform strategy of separating service delivery components from departments. This disaggregation creates smaller departments that concentrate on high status policy development tasks. The bureau-shaping model also adds more scope for non-pecuniary elements to influence the motivations of bureaucrats without sacrificing the core of public choice theory's assumption of utility maximising behaviour.

Agency theory

The focus of agency theory is the design of rules in exchange relationships between a person delegating a task, the principal, and a person to whom the authority to carry out the task is delegated, the agent (Eisenhardt 1989). Similar to public choice theory, agency theory is built upon the assumption that agents are utility maximisers who will act in their own interest. The theory considers ways to resolve the agency problems that takes place when agents' interests diverge from the interests of principals. These divergent interests result in agency costs for both principals and agents. Principals incur costs in monitoring the activities of agents and taking losses when the decisions of agents do not maximise returns to the principals. Agents may also incur costs in providing guarantees to principals that activities undertaken will be in the principals' best interests (Jensen and Meckling 1976). In agency theory the operation of incentive systems is central as these act as the mechanisms to ensure the appropriate behaviours of agents.

A large part of the literature dealing with agency theory examines the problems of information asymmetries and the risk of principals being captured by agents acting opportunistically (Arrow 1964; Eisenhardt 1989; Jensen and Meckling 1976; Nilakant and Rao 1994; Schick 1996). Information asymmetries occur because agents, compared to principals, are likely to know more about their own performance. As a result, principals may incur high costs in retrieving the appropriate information to ensure that agents are honouring the terms of contracts. The capture of principals takes place because agents may provide information that influences principals to take action that is more beneficial for the agents than it is for the principals.

In the public sector a number of principal-agent relationships operate, for example: purchasing departments-service delivery agencies; mangers-subordinates; politicians-bureaucrats; and, consumers-service providers (Ferris and Graddy 1998). In the context of public sector reform, the principal-agent relationship that receives most attention is between elected politicians and bureaucrats. This is because bureaucrats have greater access to information about government programs than politicians and in agency theory this information asymmetry suggests there is a risk of politicians becoming captured by the bureaucracy.

Concerns about the capture of elected representatives by the bureaucracy played a significant role in the public sector reforms introduced in New Zealand (Schick 1996). The Treasury briefing to the incoming Labour government in 1987 highlighted the risk of such capture:

> It can be suggested however that the relationship favours the bureaucracy, that elected representatives are at a disadvantage in relation to their own bureaucracy simply because of an information asymmetry. The problem that the bureaucracy may hold better information about how government services actually operate creates the potential for opportunism or subgoal pursuit by the bureaucracy including shirking, budget maximisation and generally inefficient policies for society as a whole. (New Zealand Treasury 1987, p. 44)

Agency theory provides the means for elected representatives to overcome the agency problem. The means includes having clear agreements that inform bureaucrats of their roles and responsibilities, establishing performance requirements that are

measurable, providing incentives to ensure the appropriate use of information and implementing monitoring systems.

Managerialism

The less analytical school of thought that is applied to the changes introduced with new public management is managerialism. Managerialism is associated with a variety of meanings (Lynn 1998), although it is widespread for the term to be used synonymously for new public management. This arises because managerialism is commonly used to describe the adoption within the public sector of private sector management practices. In this way, managerialism refers to the earlier phase of new public management in which the public sector introduced managerial devices such as corporate objectives, performance monitoring, program budgeting and a generalist senior executive.

Aucoin (1990a, p. 117) links managerial reforms to the influential work by Peters and Waterman, *In Search of Excellence* (1982). From their management consultant perspective, Peters and Waterman identify a number of practices applied by apparently successful corporations and put these forward as a guide for other private sector businesses to adopt.[6] The 1992 book by Osborne and Gaebler, *Reinventing Government*, is also considered influential in the adoption of private sector practices in the public sector (Barzelay 2000). The similarities between these two books have been noted and it is suggested that Osborne's and Gaebler's book is an adaptation for governments of the earlier work by Peters and Waterman (Pollitt 2001).

Osborne and Gaebler (1992) criticise hierarchical, centralised bureaucracies and argue the public sector needs to become more flexible, innovative and entrepreneurial to suit the rapidly changing modern environment. According to Osborne and Gaebler (1992), entrepreneurial governments focus on results, empower citizens, are driven by organisational missions, redefine clients as consumers, prevent problems before they emerge and decentralise authority.

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[6] Some twenty years after *In Search of Excellence*, M. Chapman wrote *In Search of Stupidity* (2003), examining the reasons why companies are not successful including some of the companies that had provided the basis for Peters's and Waterman's earlier work.

Managerialist ideas and the blurring of private sector and public sector practices were part of the scenery from the late 1960s. This period can be linked to the establishment of generic business schools that placed emphasis on concepts such as output budgeting and performance measurement, regardless of whether these concepts were original or reinvented. These business schools sought to distance their teachings from the traditional field of public administration that during the 1950s had become fractured with disagreements between the classical and neo-classical streams of thought (Kettl 2000a). In addition, public administration was confronting alternative approaches that were developing, such as the new institutional economics. Many commentators consider the discipline of public administration lacked any firm theoretical guidance at this time and the structure and role of the public sector was open to question (Greuning 2001; Kettl 2000a; Perrow 2000).

Evidence that governments were examining the operation of public administration during this period is found in the civil service enquiries established in a number of countries. For example, in the United Kingdom a Commission on the Civil Service chaired by Lord Fulton, reported in 1968 (Duggett 1997). One of the concerns of the Fulton Commission was the lack of interest in management shown by the Administrative Class.[7] The Fulton Commission's report likened the civil service to amateurs and used the Administrative Class as an example of this. The report defined amateur as meaning generalist or all-rounder, rather than suggesting that an administrator lacked abilities. However, it was envisaged that future appointees would have a greater technical expertise in economics, planning, research, accounting and law (Duggett 1997).

Similar to the United Kingdom, in the early 1970s the new Labor government in Australia established a Royal Commission to consider federal government administration. The Commission was headed by Herbert Coombs, a highly regarded senior public official from previous Australian governments and a former Governor of

[7] The Administrative Class held the most senior positions in the British civil service and comprised a meritocratic elite with backgrounds from higher income families and educations at private schools followed by degrees from Oxford and Cambridge Universities. This education was predominantly in the humanities or classics, so the Administration Class lacked the more technical background of law or economics (Wilson and Barker 2003).

the Commonwealth Bank. When the report of the Commission was presented some two years later it argued that a more efficient public service was possible with a decentralised structure that emphasised managerialist features (Guthrie and Parker 1998).

In 2005, the newly appointed Public Service Commissioner, Lynelle Briggs, acknowledged the significance of the Coombs Report noting that:

> The Coombs report marked a watershed in administrative thinking and reform – recommending far-reaching changes to the structures and direction of public administration. The report's key themes; its imagined future:
>
> - increased responsiveness to the elected government
> - improved efficiency and effectiveness, with devolution and a stronger emphasis on results, and
> - greater community participation in government
>
> have been a catalyst for, and have strongly influenced public sector reform for the past 30 years. (Briggs, Great Expectations: The Public Service of the Future, Speech to NSW Forum of Commonwealth Agencies, 17 March 2005)

Environmental drivers

The literature on late-twentieth century public sector reform makes numerous references to events and people that figure prominently in the reform process. Gill (2000, p. 57) refers to these as "practical triggers" of reform because they explain how ideas based on ideology and theory can emerge into action given the appropriate situation. Such practical triggers are discussed in this chapter under the heading of 'environmental drivers'. While ideologies and theories set the direction for change, the environmental drivers provide the imperative or opportunity for change. Environmental drivers are distilled into three main categories – the economic environment, influential people and opportunity events.

Economic environment

The economic circumstances that link to late-twentieth century public sector reform are well documented (Borins 1998; Gill 2000; Guthrie and Parker 1998; Pollitt and

Bouckaert 2000; Schick 1996; Scott 2001). In these writings, the common theme is the serious international fiscal crisis that occurred in the early 1970s. Governments across the globe experienced large external account deficits and began to question the expansive interventionist approaches suggested in the Keynesian economic model that had been followed by most Western countries throughout the 1950s and 1960s.

Toonen and Raadschelders (1997) note that by the late 1970s, governments recognised that economic stagflation could not be dealt with by Keynesian policies and budget deficits to stimulate demand. Alternative strategies were put forward and the opportunity to investigate and implement administrative reform was presented. Toonen and Raadschelders (1997) also observe that since the 1980s, international economic developments and shifts in the international economic order have resulted in a constant pressure on states and societies to reform their bureaucracies. Such pressure is reflected in the OECD publication, *Governance in Transition* (1995, p. 3), that suggests the requirement for reform is "driven by the need for fiscal consolidation, by the globalisation of the economy, and by the impossibility of meeting an apparently infinite set of demands on public resources".

Economic influences have been recognised as one of the major reasons for public sector reform in the Australian context. Emy and Hughes (1991, p. 405) acknowledge the "severe resource constraints" that governments experienced in the late 1970s, but also comment on the ever increasing demands on government service delivery and the inability of governments to reduce expenditure on these services. Under these circumstances, Emy and Hughes (1991) consider that one of the more vulnerable areas in which governments may seek to save costs is in the administrative realm. While direct links are clear between the provision of social welfare programs and taxation revenue, the popularity of elected governments is more likely to be supported by promises that involve public sector downsizing rather than reductions to government services.

Influential people

While the economic conditions of the early 1970s had a global influence, the lack of concurrent changes to public bureaucracies throughout the world indicates other

factors at play in a country's adoption of new public management reform. Another element often raised is the role of specific actors in embracing public sector reform and key players, of both political and bureaucratic backgrounds, are often mentioned (Barzelay 2000; Hood 2000; Scott 2001; Toonen and Raadschelders 1997).

Political players

In the case of the United Kingdom and the United States, Margaret Thatcher and Ronald Reagan are commonly mentioned as major reformers of their public sectors (Duggett 1997; Halligan 2003; Issac-Henry, Painter and Barnes 1993; Peters and Savoie 1998; Pollitt 1990; Wilson and Barker 2003). These two leaders were particularly supportive of smaller government through privatisation and were considered so influential that systems of political and economic thought are named after them – Thatcherism and Reaganomics.

Of Margaret Thatcher, Duggett writes:

> Margaret Thatcher, who became (Conservative) Prime Minister on 4 May 1979 placed her stamp upon the Civil Service. She did so in a way that no other Prime Minster so far, even possibly Gladstone, has done. (Duggett 1997, p. 11)

With regards to Reagan, it has been written:

> President Reagan took an ideological cue from Britain's Prime Minister Thatcher and made the discussion of privatisation a legitimate part of public policy decision making. Although few actual public-private partnership initiatives took hold during his administration, the stage was set by his vision of down-sized government, the dedication of the managers he brought into government service, and his economic policies that effectively starved governments of the funds they would need to maintain or expand programs. (Seader 2002, p. 1)

In the case of Australia, as previously mentioned with the Coombs Royal Commission of the early 1970s, the reform process was well underway prior to the Howard government coming to office in 1996. Substantial reform along new public management directions had also taken place under the Hawke-Keating Labor

governments in the 1980s and early 1990s. For example, in 1987, Hawke announced extensive changes to the machinery of government. These changes, marketed as providing general administrative efficiencies by bringing together related functions and facilitating policy coherence, resulted in 11 departments and 3000 public service positions being abolished (Keating 1993). Higgott and Nossal (1993, p. 155) comment that this administrative restructure "represented the most extensive reorganisation of the public sector in Australian history".

However, the focus of change under the Hawke-Keating governments was generally tied into adopting managerial techniques within the public sector and budgetary and financial management reforms were common. These reforms were directed at two broad elements (Keating and Holmes 1990). The first element was tightening expenditure restraint while introducing management flexibility and incentives to improve efficiency. The second element involved improving the performance of managers and providing the basis for a "new accountability" (Keating and Holmes 1990, p. 169). The new accountability was achieved by developing government objectives and ensuring the reporting arrangements, which included expenditure information and performance measurement, were linked to these objectives.

Although the Labor Party was generally opposed to privatisation, during the Hawke-Keating governments the selective privatisation of public enterprises, such as the airline and banking industries, took place (Emy and Hughes 1991). However, the debates within the Labor Party that enabled privatisation to occur were decided on efficiency grounds, rather than a neo-liberalist ideology. This provides an example of the "ideological flexibility" of new public management (Tupper 2001, p. 152) and reflects the diverse circumstances that enable public sector reforms to take place.

When the conservative Howard government gained office in 1996, the path of reform not only continued down the new public management route established by Hawke and Keating, but actively increased in pace with policies seeking to reduce the size and scope of government through privatisation, outsourcing and deregulation (Aulich 2000, p. 163). The accompanying emphasis on the separation of policy from service delivery represents a further phase of new public management involving the removal of functions from the public sector. Unlike the earlier reforms of the Labor

government, the Coalition government's agenda for reform contained strong ideological elements about the limited role for government in society. For example, in a speech explaining his Liberal Party traditions, Howard (1997b) remarks, "[i]n the economy, we aim to liberate the full potential of private enterprise within the context of a strategic but appropriately limited role for government".

This ideological stance taken by the Howard government is recognised by other researchers. For example, Pollitt and Bouckaert (2000, pp. 93-94) identify four types of government to indicate the extent that private sector methods are embraced. 'Maintainers' adopt a modest approach, concentrating on streamlining and budgetary restraint. 'Modernisers' retain a large role for the state, but introduce many practices common to the private sector such as strategic planning, decentralisation and evaluation. The third type is 'marketisers', with these governments introducing market-type mechanisms within the public sector or contracting out services to the private sector. Lastly, 'minimalist' governments seek to privatise as much as possible and leave only a core of the bureaucracy remaining. Using this framework, Pollitt and Bouckaert (2000) describe the Howard government as a marketiser, although they also regard this government as having flirted with the idea of a minimalist approach.

Bureaucratic players

In addition to political leaders, senior public servants are often mentioned in the literature as playing active roles in the adoption of new public management reforms.

Graham Scott, a former senior bureaucrat in New Zealand, highlights the role of public servants in the development of an analytical framework that facilitated the systemic reform of New Zealand's public sector (Scott 2001, p. 26). In the late 1970s, the Secretary to the Treasury, Noel Lough, established a group of economists in the Treasury department to consider the problems of structural adjustment in the economy. These economists considered the application of new institutional economics to the form and function of public and private institutions. When the Labour government was elected in 1984, public sector reform proceeded with support from the Treasury officials who positioned their advice within the framework of institutional economics and management theory (Scott 2001, p. 35).

In Australia, during the Hawke-Keating governments, senior bureaucrats, such as Michael Keating, the Secretary of the Department of Prime Minister and Cabinet, were actively working alongside politicians in developing and driving new public management reforms. The support garnered from senior bureaucrats has increased under the Howard government, but this feature may also relate to the increased politicisation that has taken place among senior executives in the bureaucracy.[8]

However, support from senior bureaucrats is not necessarily a required element in public sector reform. For example, Marsh, Smith and Richards (2000) consider the extent that bureaucrats were overtaken by the political drivers of reform with the introduction of the *Next Steps* program in Britain.[9] The authors conclude the stimulus for these changes were predominantly driven by politicians with senior bureaucrats lacking information and underestimating the political will for the *Next Steps* reform. Although many senior bureaucrats opposed the changes, they did not develop an organised opposition (Marsh, Smith and Richards 2000, p. 469).

Opportunity events

In addition to the role of influential people in the process of public sector reform, there is also recognition that institutional environments, or the circumstances that arise at particular points in time, provide the opportunities for reform to be discussed and enable changes to proceed. For example, it is suggested the nature of political systems within which politicians and bureaucrats operate are a central determining factor for the ways that public sector reforms are progressed. In a centralised political system where a unitary state centralises power among the Ministry or Cabinet of the ruling national party, such as those political systems operating in Britain and New Zealand, leaders have greater opportunity to become the initiators of reform (Toonen

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[8] Whether or not politicisation of senior public servant positions is detrimental, because, for example, it may impede 'frank and fearless' advice to ministers, is greatly debated. Other concerns relate to the strategic capacity of bureaucracies to implement programs within the policy frameworks of elected governments.

[9] The *Next Steps* program commenced in 1988 and entailed the biggest civil service reforms during the Thatcher government. The reforms required agencies to be established to carry out the executive functions of government according to the policies and within budgets set by departments (Duggett 1997). By 1997, around 130 agencies were operating and these employed 74 per cent of the Home Civil Service (Duggett 1997, p. 16).

and Raadschelders 1997). Others question whether specific individuals are catalysts for change or are prescribed responsibility for events that would have occurred in their absence (Wallis and Dollery 1997).

A common opportunity event is a change in government, particularly when the incoming government is elected on a platform of reform to the public sector (Gill 2000, p. 57). Emy and Hughes (1991, p. 405) include this type of opportunity event as one of the major reasons for the 1980s being a significant decade of change in the Australian public sector. Published in the early 1990s, Emy's and Hughes's book pre-dates when the Howard government came to office in 1996. However, under Howard's leadership, the process of public sector reform in Australia has been maintained and its direction altered as external methods of service provision were sought. Whilst Halligan (2003) considers financial management reforms have remained a top priority since the 1980s, he acknowledges that reform under the Howard government has involved the re-working of organisational forms concentrating on the relationships that cross public and private boundaries.

Whether or not any future change of government in Australia will result in a different direction for public sector reform remains to be seen. However, such a change will provide the opportunity for a different direction to be adopted. For example, the Australian Labor Party's National Platform and Constitution (2007) states that Labor "will revive the concept of a career in the public service" (Chapter 11, No. 67) and that "Labor supports the maintenance of a strong, unified, apolitical public service as a repository of knowledge and expertise in the development of government policy and the delivery of essential services" (Chapter 11, No. 71). This Platform suggests a future Labor government may examine the increased politicisation of senior bureaucrats and revisit the Westminster model that supports career public servants without partisanship influences.

Summary

The drivers contributing towards public sector reform are many and they interweave in complex ways to bring about the changes that have taken place in public sectors over the past 30 years. For the purpose of this thesis, the major drivers of reform have

been identified and grouped into three broad categories – ideological, theoretical and environmental. Although broad, these categories are unlikely to incorporate all of the drivers that motivate public sector reform and aspects such as a country's political history and bureaucratic traditions also play a role. Perhaps more certain than any particular influence were the international developments taking place during the second half of the twentieth century. These influences combined and placed pressure on governments for the need to investigate and implement reform agendas. Against this background, the chapter will proceed to examine the events that led to the establishment of Centrelink and the Job Network.

Establishing Centrelink and the Job Network

Background

For decades, the provision of social welfare and employment services in Australia was dominated respectively by the Department of Social Security (DSS) and, within the employment department, the Commonwealth Employment Service (CES). Given the size and traditional bureaucratic structures of these organisations it is not surprising they were the subject of discussion that was linked to the ideas of new public management reform that recommends the separation of policy from service provision. For example, one of the more senior Australian bureaucrats, Michael Codd, head of the Department of Prime Minister and Cabinet in the early 1990s, wrote about changing the boundaries between functions carried on within governments (Codd 1996).

In his paper, Codd presented models that were very similar to that now applying in the case of Centrelink and the Job Network. Although expressing some cautions, Codd used the administrative function of providing income support payments as an example of where a service delivery task could be given to an agency (Codd 1996, p. 179). In the case of employment services, Codd mentioned recent reforms by the Labor government that had given job seekers greater choice in employment assistance by contracting out some services to community and private sector agencies (Codd 1996, p. 182). These contracted case management arrangements had evolved by the early 1990s to provide assistance for the long-term unemployed and those at risk of

becoming so. However, it is noted that during much of this period contracting out was undertaken because non-government providers were considered effective in helping unemployed people with special needs and in coordinating services at a local level (Eardley 2003a). Distinct differences in the payment structures are also raised, with the Job Network initially designed on a competitive price basis whereas previous arrangements under the Labor government provided payments for services (Webster and Harding 2000).

An additional reason for restructuring these organisations was that both DSS and the CES dealt with unemployed people – DSS for the payment of unemployment benefits and the CES for the registration and delivery of employment services. Accordingly, suggestions were put forward that service delivery for the unemployed would improve and become more efficient if these services could be provided jointly in some way. Both organisations recognised this and in the 1993-94 DSS annual report (DSS 1994, p. 20) certain activities were identified for the possibility of joint delivery in an "Agreement for Cooperation". These activities included the co-location of property and shared facilities, system management and support, public communication, staff training, research and evaluation and closer cooperation in servicing specific client groups such as people from non-English speaking backgrounds.

Given this background, by the time the Howard government came to power in March 1996, the stage was set for a significant reform of income support and employment services that would result in service delivery being separated from the departments. Within a short period of time, the government convened a National Commission of Audit (NCA) to advise on public sector finances. The Commission reported to government in June 1996 and suggested instances that would enable significant savings to be delivered through rationalising and restructuring operations. For example, the Commission recommended "amalgamating the payments structure and systems of the departments of Social Security and Employment, Education, Training and Youth Affairs" (NCA 1996, p. 115).

Within two months, the government released a lengthy statement by the employment Minister, Senator Vanstone, outlining reform proposals that would establish Centrelink and the Job Network. However, the speed of the government's response

reflects the bureaucratic involvement that had been contributing to the process since the election victory of the Coalition government. Recognising the climate of change that was associated with the incoming government, the Secretaries of DSS and the Department of Employment, Education, Training and Youth Affairs (DEETYA) were concerned the service delivery components of their portfolios would most likely be targeted for restructure (Rowlands 2003).

To avoid the imposition of an undesirable model, the Secretaries presented the idea of a social welfare service delivery agency to the new government. The agency, that would become Centrelink, would deliver all income support and related services previously handled by DSS and would undertake the registration and assessment of unemployed people that had previously been a task of the CES. Importantly, the establishment of the delivery agency would facilitate the development of a fully competitive employment services market (Briggs and Fisher 1996). The privatised employment services market would comprise a range of private and non-profit service providers and a corporatised public provider[10], collectively called the Job Network.

Centrelink and the Job Network are examples of the later phase of new public management reform, but the organisations are structured quite differently from each other. When established in September 1997, Centrelink was located in the DSS portfolio, within a framework that provided a chief executive officer accountable to a management board for the agency's performance. In addition, service agreements between Centrelink and its purchasing departments specify the services that Centrelink deliver. The Job Network comprises a collection of private sector businesses, incorporating profit and non-profit organisations, operating on the basis of formal contracts with the government to deliver job brokerage services, training in job search techniques and intensive assistance to disadvantaged unemployed people. As examples of new public management reform, Centrelink and the Job Network are co-

[10] A corporatised public provider of employment services, Employment National, was established out of the remnants of the CES to ensure an adequate coverage of employment services. Employment National was not a success and was abolished in 2003. The reasons for Employment National not succeeding are varied and much wider than issues associated with any mismanagement. For example, it has been noted that the second Employment Services Contract did not fairly weight the performance results from large providers resulting in Employment National losing a significant share of the more profitable intensive assistance services (Ramia and Carney 2001). In this same contract process the largest private provider, Drake, lost all its government employment services business.

located within the broader framework of contractualism, however Centrelink provides an example of agencification and the Job Network operates as an example of outsourcing.

Agencification

Agencification is the creation of an autonomous body within the public sector and these arrangements are associated with two core ideas (Talbot, Pollitt, Bathgate, Caufield, Reilly and Smullen 2000). First, the creation of autonomous agencies involves disaggregating large-scale departments into a single agency, or a number of smaller agencies. Disaggregation is believed to increase efficiency by facilitating improved management performance because objectives are clarified and the specific tasks associated with these are prioritised. The second core idea of agencification is performance contracting, either on a formal or informal basis. The performance agreements that arise in the contracting environment help define what agencies do in return for stated resources. With clearly established goals and resources, it is believed that agencies are able to focus on becoming results-orientated organisations and move away from the traditional bureaucratic emphasis on input controls. Centrelink satisfies these two core agency concepts — it was formerly the delivery component of a large bureaucratic department and its relationships with purchasing departments are governed through service delivery agreements.

With the formation of Centrelink, the idea that competition from alternative service delivery agencies would ultimately be introduced was commonly accepted and in March 1997, during the agency's implementation phase, the then chief executive officer, Sue Vardon, said:

> We are actually preparing for the Agency so it will be flexible in a competitive environment ...(Vardon 1997)

Similarly, Dr Rosalky, then the Secretary of DSS, stated that:

> If I now ask how far we have come towards setting price by reference to alternative possible suppliers through a competitive process, I find no comforting answers. We are only beginning to do the work required to move in that direction. The responsibility for pursuing this lies mainly with DSS, although Centrelink does need

> to be ready when such action is taken. (Rosalky, Centrelink National Strategic Development Conference, 1998)

Nevertheless, despite the high expectations that Centrelink would be operating in a competitive environment and the value that some suggest is gained from competition, a decade has passed since Centrelink's establishment and the agency has remained a monopoly provider within the auspices of the Australian Public Service.

Outsourcing

While establishing a separate government agency to undertake service delivery functions may have many perceived benefits, a strong element within new public management involves a mistrust of bureaucratic power and a questioning of the incentive systems and motivational responses of bureaucrats. On this basis, decisions to separate policy from delivery may extend to outsourcing delivery activities to the private sector, as in the case of the Job Network.

Outsourcing reflects the trend in public sector reform that involves the use of contracts by governments to regulate various kinds of relationships (Ramia and Carney 2001). In theory, outsourcing introduces contestability into the delivery of services and, when supported by highly specific outcome-focused contracts that provide appropriate incentive payments for the delivery of successful outcomes, it is believed to foster efficient and effective delivery systems. Additional benefits flow to governments because departments are able to focus on core policy activities and elements of service delivery risk are transferred outside of government (Quiggin 1996).

Outsourcing may be associated with privatisation in the public management literature and the two forms of restructure share similarities. For example, outsourcing and privatisation involves reassigning public sector service delivery to the private sector where it is assumed differences in the operation of incentives provide for greater efficiency and effectiveness. However, outsourcing enables governments to retain a high degree of control in the services provided because ownership of the services is not transferred. Instead, contracts specify the outputs expected and provide for end-

dates, enabling badly performing providers to be replaced or government delivery to be resumed. With privatisation, governments discontinue public ownership of the assets, although a high degree of government control can be maintained through regulation.

A common concern with outsourcing is the resources required to manage the contract process. For the Job Network, a number of contract periods have been completed to date and the employment department recognises the method of procurement as "an extremely large and complex process" (DEWR 2006, p. 61). Concerns have also been raised about the disruption to services and the transaction costs involved in the contract renewal process (Abbott 2003; ACOSS 2000; Eardley 2003a; OECD 2001; Productivity Commission 2002; Struyven and Steurs 2005).

A large part of the appeal of outsourcing is the development of competitive environments that are considered a central feature in fostering incentives for businesses to perform efficiently and effectively. The presence of multiple suppliers also enables governments to choose the 'best value for money' providers. However, in the case of the Job Network, concerns are expressed about the extent that the employment services market is competitive. For example, in the third employment services contract that commenced in July 2003, Eardley (2003a, p. 320) comments on how the key employment services were becoming concentrated among a few service providers with the "top 12 agencies will hold just under 60 per cent of business overall, leaving an average of 0.6 per cent for each of the rest".

Summary

In the establishment of Centrelink and the Job Network many of the drivers for public sector reform previously mentioned in this chapter are observed. The neo-liberal ideologies of the Howard government, that support a limited role for public bureaucracies in the provision of services, are evident. It does not appear that theoretical considerations played a significant role in the structural redesign of the organisations, although overseas models may have provided some direction for the design of Centrelink. For example, the *Next Steps* program in Great Britain, an

example of agencification involving the establishment of the Benefits Delivery Agency for the delivery of income support, may have provided an example of reform that would be suitable for Centrelink. For the design adopted for the Job Network, contracted case management services were already operating and the extension of this arrangement to other employment services was straightforward. Environmental drivers figure prominently in the development of Centrelink and the Job Network, as the change of government offered the political opportunity and key players from both the political and bureaucratic spheres progressed the ideas.

Public sector reform in practice

The overarching justification for reforming public sectors is that improved efficiency and effectiveness will be achieved. However, the current period of public sector reform has been around for some time. For example, Hood and Peters (2004) consider new public management has reached its middle age as evidenced by the comprehensive textbook treatment that exists. It is also suggested the word 'new' should be removed from the term (Wise 2002, p. 564). But, despite the more than three decades that new public management has been practiced, there is still widespread uncertainty as to whether the goals of efficiency and effectiveness are always achieved.

In explaining these uncertainties, this part of the chapter explores public sector reform in practice and discusses reasons why efficiency and effectiveness may not take place at the level many would promote. The first part of this section considers theoretical opposition to the ideas of new institutional economics. For example, stewardship theory is discussed as an alternative explanation for the behaviour of bureaucrats. Also, conceptual issues are raised about the assumptions that support new institutional economics. In the second part of this section operational concerns relating to the ways that new public management impacts on areas such as accountability, policy capacity, performance management and citizen responsiveness, are discussed. Writers caution that these aspects, and there are numerous other operational concerns not discussed such as the impact on public service values and the consequences of reduced levels of trust, may not only be negatively impacted by public sector reform, but may also impede the achievement of improved efficiency and effectiveness.

Theoretical concerns

Stewardship theory

With its origins in psychology and sociology, stewardship theory has emerged over the previous two decades to provide an alternative view to that of new institutional economics for the exchange relationships taking place in and between organisations. In contrast to new institutional economics, stewardship theory assumes agents' objectives are in harmony with those of principals (Davis, Schoorman and Donaldson 1997a, Kulik 2005). As a result, in stewardship theory there ceases to be an agency problem because there is no divergence of interests between agents and principals (Davis, Schoorman and Donaldson 1997a). This means no costs are required to negotiate, monitor and enforce agreements to solve the agency problem. In addition, stewardship theory proposes that agents are capable of being motivated by self-actualising behaviours involving intrinsic rewards such as group affiliation and self-growth. Therefore, supporters of stewardship theory question the assumptions of new institutional economics that agents are self-interested with a general aversion to work and that alignment with the principals' goals can only be achieved if tangible and extrinsic rewards are offered that satisfies the agents' self-interests, such as performance-based pay.

A further variation between economic-based organisational theories, such as new institutional economics, and stewardship theory is the central role of individuals compared to collectives. The field of economics has its origins in the study of events arising out of the actions of individuals and "develops hypotheses about social behaviour from models of purposive behaviour by individuals" (Niskanen 1971, p. 5). In comparison, stewardship theory derives from a sociological perspective and is collectivist in orientation, employing a systems-level of analysis (Davis, Schoorman and Donaldson 1997a; Donaldson 1990). This difference between the two theories is also used as an explanation of the popularity of new institutional economics. That is, the foundations of new institutional economics align comfortably with the individualist framework and ideology prevalent in modern Anglo-American cultures (Hirsch, Michaels and Friedman 1987).

The approach towards management solutions also differs between agency theory and stewardship theory (Donaldson 1990). Agency theory concentrates on the development of appropriate governance structures to control the agency problem, such as establishing a board of directors with no relationship to management, or ensuring the interests of the chief executive officer are aligned to those of the shareholders. Stewardship theory searches for organisational structures that empower stewards (agents) to act because such action will be in the best interests of the principals. For example, stewardship theory argues for combining the role of chairperson and chief executive officer to enable decisions to be unified and remove conflict and role ambiguity.

Conceptual issues with new institutional economics

A fundamental premise of new institutional economics is that bureaucratic operations are less efficient and effective than markets because bureaucrats seek to maximise their own utilities in preference to achieving the goals of the organisation. New institutional economics seeks to remedy this situation by developing mechanisms that limit an agent's self-serving behaviour. However, as Emy and Hughes (1991, p. 413) comment, the notion that bureaucrats are utility maximisers "suffers from a marked lack of evidence". The reason why bureaucrats may not operate to satisfy their own interests is that the conceptual foundations of new institutional economics may be incorrect or incomplete.

In analysing agency theory as a theory of performance outcomes, rather than as a theory of human behaviour, Nilakant and Rao (1994) acknowledge the contribution of agency theory in reducing uncertainties about agents' behaviours. However, this highlights one of the more common concerns with agency theory – that problems are the fault of agents who shirk, misrepresent their abilities and generally behave to maximise their own utility. Nilakant and Rao (1994) believe that agency theory does not provide a complete explanation of the relationship between effort and outcome and nor does it acknowledge other ways that uncertainty arises.

In terms of the relationship between effort and outcome, agency theory proposes that appropriately designed contract-based mechanisms will resolve the problem of agents shirking. However, agency theory may be inadequate when there is a tenuous connection between the effort outlaid and the outcome sought, or when there are multiple principals and agents causing goal conflicts that result in outcome uncertainty. Nilakant and Rao (1994) suggest structural and cultural mechanisms may operate to solve such effort/outcome dilemmas, rather than ineffective contractual devices. These structural and cultural mechanisms reduce uncertainty in performance by concentrating on organisational design structures, such as implementing boundary spanning roles and teams, and devising cultural methods to support environments of trust and collaboration.

One of the more common concerns with new institutional economics is the emphasis placed upon the self-centered behaviours of agents and the risk of these leading to a self-fulfilling prophecy. That is, if agents are presumed to be untrustworthy and require close monitoring, then agents will act according to this belief. Many writers caution that adherence to the ideas of new institutional economics fosters environments of mistrust and that bureaucrats will adopt opportunistic behaviours that are harmful to the positive values of the public service such as integrity, honesty and fairness (Boyne 2003b; Goshal and Moran 1996; Gregory 2000; LeGrand 2001; Lynn 1998; Pollitt, Birchall and Putman 1998; Schick 1998).

On a macro level, new institutional economics and contractualism are criticised because of the undesirable shift in policy goals the ideologies behind these theories implicitly support. These policy shifts place emphasis on self-provision rather than universality, call for a reduced role in government regulation and promote market-based solutions (Argy 2001). Argy (2001) considers these shifts lead to policies that downgrade the objective of full employment, reduce commitment to unconditional needs-based welfare, neglect environmental issues in favour of economic performance and increase disparities in access to social programs such as health and education.

Operational concerns

In revisiting the comprehensive reforms that were implemented in New Zealand, Schick (2001, p. 1) states that he has become "more critical and less ambivalent, more admiring of the remarkable managerial edifice erected in this country, but less convinced that it is the right way to go". These statements by Schick are based on the all-encompassing nature of the New Zealand reforms that have made it difficult to single out and apply a specific reform element that may suit a particular context, but not others. In the case of developing nations, Schick (1998) further warns that important preconditions such as formal control systems and robust central agencies are required before new public management practices can be implemented successfully. This is despite the push by international financial institutions, such as the World Bank and the International Monetary Fund, encouraging developing countries to adopt new public management practices (Hughes 1998).

Schick's comments also relate to concerns about how new public management reform operates in practice and the possible unintended outcomes of reforms. The concern that new public management may not successfully operate in all developing countries supports a conclusion of Peters and Savoie (1994) who consider the reforms have done little to rectify badly managed departments, whilst well-managed departments remain well-managed. The introduction of new public management practices to bureaucracies that are efficient and well-managed is considered by Hood (2000) as one of the paradoxes of public sector reform. This is because the reforms are either applied late, or not at all, in the case of dishonest and inefficient bureaucracies when logic would dictate reform is needed most.

If new public management has the potential to impact negatively, not only may the efficiency and effectiveness gains claimed by reformers not take place, but the way other aspects of public administration operate could be at risk. This section considers four major areas of public sector operations commonly discussed in the literature — accountability, policy capacity, performance management and citizen responsiveness. The thesis does not examine further the impact of Centrelink and the Job Network on these operational aspects. This brief exploration is provided to indicate that possible unintended negative impacts of reform have been raised in the public management

literature and that such aspects may explain why efficiency and effectiveness do not improve or may be compromised with the introduction of reform.

Accountability

The issue of accountability attracts repeated attention in the new public management literature (Dobel 2001). In the public sector, accountability operates to prevent the abuse of power and as Thomas (1998, p. 348) writes, "is the heart of governance". Traditionally, accountability in the Westminster tradition has centered on the idea of ministerial responsibility whereby conventions operate that hold Ministers responsible to parliament for the conduct of bureaucrats who work in their departments. This traditional accountability model was based upon centralised authority relationships prevalent in the classical style of public sector administration (Glynn and Murphy 1996). In addition, other avenues of accountability have developed that supplement the traditional ministerial accountability, such as parliamentary committees, government audit authorities, Ombudsman investigations and access to documents through Freedom of Information legislation. These additional avenues of accountability have become problematic for new public management because private firms are generally not subject to such instruments of scrutiny.

Under new public management, with the separation of purchaser from provider and devolved lines of responsibility, relationships have changed and impacted on the traditional notion of accountability. Thomas (1998, p. 358) argues that recent developments have resulted in a shift to 'political answerability' where Ministers are answerable to parliament when errors can be traced back to their instructions or inactions. Without this link, Ministers may seek to avoid accountability.

The supporters of new public management argue that accountability should be strengthened under the new structures (Domberg 1998; Scott 2001). This enhanced accountability is a feature of the relationship exchanges in new public management that are designed around greater clarity in roles and responsibilities and require performances to be monitored and assessed against specified outputs.

Both Centrelink and the Job Network are based on designs that seek to enhance accountability by clearly specifying the desired results and outcomes. In the case of Centrelink a purchaser-provider model was adopted and the legislation that establishes the framework of the delivery agency enables Centrelink's chief executive officer to enter into arrangements that specify the services to be provided. As such, Centrelink has established agreements with its purchasing departments that set out:

- the roles and responsibilities of each organisation, incorporating, the principles and values governing the relationship;
- a description of the services that Centrelink will deliver;
- the performance measures and standards against which Centrelink is to deliver; and
- standards to be followed by the departments in providing Centrelink with appropriate policy advice, guidance and support.

For the Job Network, commercial contract arrangements apply where profit and non-profit employment service organisations compete in a tender process to provide specified services. The contracts contain fee structures where payments are provided based on meeting specific performance outcomes. The purchasing department closely oversees the operation of the Job Network and monitors compliance with obligations, scrutinises progress against contracted placement targets and makes outcome payments.

However, critics argue that accountability under arrangements such as Centrelink and the Job Network is not enhanced and, worse still, may have been weakened. For example, Thomas (1998) is concerned that accountability becomes narrowly defined under formalised performance mechanisms that place reliance on imperfect agreements. These agreements are imperfect because public sector program objectives are commonly imprecise and unarticulated (Mulgan 2003). The new public management reformers would argue that accountability is enhanced because governments are required to clearly articulate program objectives. However, government program objectives may inherently be imprecise because the influences on achieving a particular goal are often multiple and commonly beyond the control of the public sector. In addition, social objectives may be difficult to measure and

unstated policy goals may reflect political dimensions that are responding to competing interest groups. Such concerns do not necessarily impact on the performance agreements typical of private sector businesses that enjoy relatively straightforward goals that involve quantifiable measurements based on items such as profit and market share.

Other writers suggest new public management obscures accountability through the complex institutional networks that create a labyrinth of multiple contracting agencies engaged in the delivery of services (Chalmers and Davis 2001; Rhodes 1994). The use of private sector companies distances government from operational aspects and may blur the lines of accountability (Glynn and Murphy 1996). Furthermore, arrangements with the private sector may become subject to commercial-in-confidence provisions and the nature of accountability becomes hidden (Dobel 2001; Glynn and Murphy 1996; McNally 2003). Accountability also becomes confusing with the mixed messages from new public management about freedom to manage on the one hand and explicit requirements aimed at greater control on the other (Thomas 1998).

The traditional accountability mechanisms were fundamental to avoiding the corruption that operated under the patronage and spoils systems, ensuring that proper regard would be given to the use of public resources. The possibility that accountability may be diminished under new public management raises direct concerns for the effectiveness and efficiency of government programs. In commenting on the need to ensure proper accountability is maintained, a former Auditor-General of Australia has noted that "the introduction of a new player in the accountability chain — the private sector service provider" has "strengthened" the need for accountability (Barrett 2000a, p. 61). Furthermore, Barrett (2000a, p. 61) comments that, "[t]he experience of my office has been that a poorly managed outsourcing approach can result in higher costs, wasted resources, impaired performance and considerable public concern".

Policy capacity

One of the key features of later new public management reforms is separating the policy advising functions from service delivery to ensure service delivery issues do not receive priority at the expense of policy issues. This concern reflects a central component of agency theory – that purchasers are at risk of capture by producers or providers that can dominate purchasing organisations because the information asymmetries enable delivery agencies to act in ways that are not in the best interests of the purchasers' objectives. Approaches to recent public sector reform place emphasis on the specification of service delivery activities through agreements, leading to a clear focus on outputs and, through performance measurement, enhanced results. Appropriately designed agreements are believed to reduce the risk of agents acting in their own best interests at the expense of principals.

However, in contrast to the theory, the separation of policy from operations may lead to a decline in policy capacity and this raises more general concerns about the strategic capacity of government and the overall efficiency and effectiveness of government business. As policy becomes increasingly removed from operations it becomes more difficult for the policy-making departments to take account of operational issues in the review cycle of policy development. The policy departments are also at risk of being captured by service delivery agencies in different ways because the existence of these agencies becomes inextricably linked to maintaining the existing policies, causing bias in the information provided to policy areas (Schick 1996).

Also, the proliferation of service delivery agencies is seen as fragmenting the traditional bureaucratic structure resulting in the likelihood of incoherent policy. Gill (2000), commenting on the New Zealand reforms, notes the plethora of single-purpose agencies that have little incentive to work together. These structures create barriers for communication across organisations and the strategic capacity of government to develop and coordinate plans across society as a whole may be diminished (Rhodes 1994).

Writers caution that the managerial focus of new public management results in a lowered emphasis in the policy-making expertise of bureaucrats (Ingraham 1998, p. 165; Tupper 2001, p. 154). With management issues dominating the policy environment and with continual downsizing, many long-term bureaucrats depart the public sector resulting in a loss of institutional memory and the creation of a policy vacuum (Savoie 1998). Policy expertise is further diminished with the appointment of senior bureaucrats emphasising managerial qualities over policy backgrounds. As a result, the extent that governments hear expert policy advice from within the bureaucracy may decline. Concerns about policy capacity are also linked to the increased politicisation of senior bureaucrats and the impact this may have on the delivery of objective policy advice. If Ministers are only told what senior bureaucrats perceive they want to hear the quality of policy advice may be compromised (Scott, G. 1999).

Moreover, the idea of contestable markets within the new public management framework suggests that external policy advice may be sought by governments in much the same way as external service delivery. This may increase the policy involvement of those ideologically aligned with governments, such as think tanks, ministerial staffers and government established taskforces. Such groups may come to dominate the policy arena and, as the policy role of bureaucrats diminishes, policy biases develop. This process has been identified by Pierre (1998) as the 'deinstitutionalisation of policy advice', a process that can threaten the legitimacy of the bureaucracy that Pierre believes has evolved in Anglo-American countries to support and facilitate democratic systems of representative government.

Overall, with new public management reforms resulting in a possible decline of the policy competence of the bureaucracy, the strategic capacity of government is threatened and short-term political motives can dominate long-term policy setting, having a significant impact on the efficiency and effectiveness of government programs.

Performance management

One of the central ideas of new public management is a greater focus on results achieved by contracts, or contract-like arrangements, where outputs are specified and performance is measured. For both Centrelink and the Job Network, such arrangements operate – service agreements with purchasing departments in the case of Centrelink and formal contracts in the case of the Job Network. However, a number of writers express caution about the application of a performance framework in the public sector context (Boston 2000; de Laine 1997; Ferris and Graddy 1998; Flynn 1996; Gill 2000; Paquin 1998; Pollitt 1998).

In the delivery of public services the outputs requiring specification may be highly intricate and not easily reduced to a few, clear measures (Boyne 2003a, Chalmers and Davis 2001, Paquin 1998). As a result, long and complex service agreements develop with unmanageable, vague or conflicting specifications that frustrate rather than enhance service delivery. Also, during periods of early public sector reform implementation, bureaucracies are likely to have limited experience in dealing with performance measures or adequately identifying the costs and levels of service required, thereby limiting the effectiveness of the performance framework (Thomas 1998). This raises another paradox of new public management reform – that public sectors are inefficient and ineffective in the delivery of services, yet are able to transform into the expert managers of complicated contracts (Rainey and Steinbauer 1999).

In many cases the links between outputs and outcomes are tenuous (Coggburn and Schneider 2001; de Laine 1997). Achieving social outcomes is often the result of multiple influences that are beyond the control of a single service delivery agency. In these situations, requiring an agency to improve outcomes as part of an agreement is unfair and such agreements are unlikely to be entered into (Ferris and Graddy 1998; Gill 2000).

Even if the measures are appropriate for the outputs sought, detrimental program impacts may result because the efforts of organisations are directed towards meeting the requirements of what is measured, rather than the programs' outcomes. This

issue, known as 'goal displacement', is considered by Davies (1999, p. 155) to be the "Achilles heel" of performance management. Closely related is the 'checklist mentality' where tasks are completed only if stated in agreements. In his review of the New Zealand public sector reforms, Schick (1996, p. 81) raises concerns that checklist managing "unduly narrows managerial perspective and responsibility". Rather than merely complying with agreements, Schick (1996) considers the more valuable contribution of chief executives, their judgement and leadership, may be lessened by the emphasis on checklist compliance.

Likewise, Lane (2001) warns that if both agents and principals concentrate on the terms of a contract, contractualism becomes an end in itself, consuming large amounts of time and effort and creating perverse incentives that do little to guarantee competent management.

Commentators consider the future of the reform process is moving to an outcomes-based approach where results are given priority and not the items being produced. However, given the multiple influences that may be impacting on outcomes, policy effectiveness may require holistic approaches that cross organisational boundaries. In commenting on the comprehensive New Zealand reforms, Graham Scott (1999, p. 7) indicates that outcomes-based management remains the "elusive Holy Grail". This view explains the recent trend in developing mechanisms aimed at establishing collaborative forms of organizing the shape and delivery of public services. These mechanisms operate either through 'joined-up' arrangements within government organisations or 'networks' of government, private and volunteer organizations (Bevir and Rhodes 2003; Bovaird 2006; Mingus 2005; Skelcher, Mathur and Smith, 2005).

Citizen responsiveness

Another common concern in the literature is the focus of new public management on members of the public as consumers of goods and services, compared to their role as citizens in the process of collective decision-making (Box 1999; Box, Marshall, Reed and Reed 2001; Pollitt 1990; Rhodes 1994; Rockman 1998; Thomas 1998). Taking its cues from the private sector, where the viability of a firm partly relies upon

maintaining a satisfied customer base to avoid consumers choosing to purchase goods and services elsewhere, new public management has shifted the emphasis of the users of government services from clients to consumers. This emphasis on consumers shifts the focus within the public sector to customer satisfaction with service delivery.

However, for the outcomes of efficiency and program effectiveness, the emphasis on customer satisfaction may be a distraction. For example, it is argued that in treating people as consumers, attention is directed towards the delivery aspects of a program as measured by the program's satisfaction ratings. This attention can focus on the tasks that are involved in shopfront activities such as waiting times and staff politeness, but neglect the more important aspects such as staff knowledge and correct decision-making (Pollitt 1998).

Another concern is the emphasis on customer satisfaction distancing people from the process of collective action and becoming involved in policy debates. This is because attention is diverted into completing customer satisfaction surveys or participating in focus groups. In this way, the attention of new public management on consumerist outcomes operates to disempower citizens and has implications for participative democracy and the overall policy responsiveness of governments to the people. Writing on the United States experience with the National Performance Review, Carroll (1995) cautions that the managerialist economics upon which the National Performance Review is based causes government to become an instrument of service consumption and ignores the role a government plays in setting agendas, resolving conflicts and pursuing values that have little to do with satisfying customers.

Conclusion

This chapter provided an explanation of why public sector reform in the late-twentieth century has taken place. The chapter began with a description of earlier reforms to Anglo-American bureaucracies and how these have shaped the modern public sector. The earlier reformers were concerned that bureaucracies were inefficient, wasteful and did not necessarily achieve desired results. Changes sought to establish public sectors that would provide stability, competence and support for successive governments within a democratic framework. In the current reform process, the claim

that public bureaucracies are inefficient and ineffective is also emphasised, but the reasons for this and the solutions offered are very different from their earlier counterparts in that these recent reforms question the overall structure and fundamental role of the public sector.

The chapter listed the main drivers of modern reform as ideological, theoretical and environmental and explored the common political responses. These responses have involved adopting private sector management practices into the public sector or replacing the public provision of services with competitive environments. The specific types of reforms adopted for the designs of Centrelink and the Job Network were described.

Another feature of modern public sector reform is that the ideas and solutions are progressed despite a lack of evidence the claimed efficiency gains and effectiveness outcomes are always delivered. The chapter proceeded to explore reasons that have been put forward for why efficiency and effectiveness are not forthcoming in adopting new public management reform. For example, concerns about the theoretical underpinnings of new public management reform were explored and the chapter considered the impact of reform on a number of operational aspects of the public sector. Although this thesis does not seek to explain the reasons why Centrelink or the Job Network has either succeeded or failed in improving efficiency and effectiveness, this section examined explanations for why the reforms are not always successful.

Having considered the current reform environment that public bureaucracies are exposed to, the value of paying attention to the results of reform is apparent. The process of reform is costly, in ways that are more than financial, and the impacts may not be entirely beneficial. Open and independent evaluations, such as undertaken in this thesis, are necessary to ensure the performance of publicly-funded services are maintained and the implications of changes to these services are understood.

Chapter 3: Designing an evaluation for measuring efficiency and effectiveness

This chapter describes the methodology that is employed to answer the thesis question of whether efficiency and effectiveness have improved since Centrelink and the Job Network were established. Initially, the chapter explores the evaluation literature to develop an appreciation of the foundations of evaluation and how evaluation theory links to the practice of evaluation. In doing so, elements common to the design of evaluations are identified as the purpose, parameters and methods of evaluation. These three elements are explored in the context of evaluations of public sector reform and the way these are applied in this thesis is explained.

The foundations and theory of evaluation

An analysis of the evaluation literature reveals that a single descriptive theory of evaluation that provides for the approach to adopt for a specific evaluative situation does not exist. In contrast, the literature describes numerous prescriptive theories that differ in how an evaluation should be structured and undertaken. These theories outline different methods for determining the criteria for judgement, collecting and interpreting data, and diverge on the use that evaluation findings are put. To some extent the proliferation of approaches to evaluation can be explained by looking at the historical developments within the field. Each development has added to or enriched

the approaches available without necessarily replacing previous ways of undertaking evaluations.

Generally the foundations of evaluation research for social programs commence around the mid to late 1800s when a body of knowledge concerning evaluation research first became recognised and a number of associations were established to foster developments in social inquiry. This period coincides with an increased level of government intervention in the lives of ordinary people. With the increasing investment of public monies in social programs, questions were asked about whether or not the desired outcomes were being achieved and formal evaluation research developed to provide these answers. The early evaluators sought to apply a logical analysis to measuring the effects of a program against the goals it set out to accomplish. In this manner, evaluation would provide meaningful information from which policy decisions could be made.

The orthodox approach that developed during this early period for designing an evaluation was based upon the scientific, or positivist, paradigm. This paradigm is characterised by researchers using rigorous scientific approaches and empirical methods to arrive at objective, evidence-based knowledge that is able to provide clear solutions about what does or does not work. The theoretical emphasis is aimed at determining causality and the language used is that of variables and validity. The experimental design approach, involving treatment and control groups, was developed and refined during these early periods of evaluation when, through to the 1950s, evaluators strived to ensure that internal validity (ascertaining the relationship between cause and effect) and external validity (being able to generalise from the results) were accomplished in an evaluation.

During the 1960s a significant growth in the number of social and educational programs dramatically increased the need for large numbers of program evaluators. However, many evaluators found it difficult to meet the requirements of the scientific paradigm. It was not always straightforward to apply methods that required the uncontaminated existence of control groups, or the random assignment of subjects to treatment groups. During this period many evaluators and sponsers of evaluation research recognised that evaluations often failed to produce useful knowledge or clear

answers, particularly for improving the outcomes of social programs. Also, different social science research methods began to emerge, with many evaluators not formally trained in the techniques of evaluation, adapting and modifying the approaches to research learnt in their formative disciplines. As a result, approaches on how to conduct evaluations expanded with research methods adopted from disciplines such as education, psychology, sociology, anthropology and history.

By the 1970s new approaches to evaluation emerged that seriously questioned experimental methods and objectives-based inquiry. For example, the constructivist paradigm developed that considered evaluation to be highly subjective, with the findings reflecting the unquestioned value framework of the inquirer. In practice, the constructivist approach to evaluation design resulted in a greater diversification of evaluation methods, including more reliance on the use of qualitative data. When applying the constructivist approach evaluators reflect on the diverse perspectives of stakeholders and make sense of the various constructions that emerge from among them. Today the constructivist approach to evaluation has its supporters as well as its detractors. For example, Scriven (2001), a recognised evaluation theorist whose work supports goal-free evaluations, cautions that the denial of objectivity is "inescapably self-refuting" (2001, p. 28), particularly when a constructivist evaluation is seeking to determine the "real truth". Scriven's evaluative approach is to recognise the possibility for values-based bias to enter an evaluation and for this to be documented and accounted for in the evaluation design.

The diversity of approaches to evaluation forming throughout the 1970s and 1980s resulted in an expansion of the issues that a well-constructed evaluation ought to consider. For example, evaluation design became increasingly aware of the conflicting purposes for conducting an evaluation and how this impacts on the criteria chosen to form judgements about the success or failure of programs. As a result, approaches developed that took account of various stakeholder perspectives.

Alkin (2003, p. 86) suggests that differences in approaches to evaluation arise because the designs emanate from the particular points of view or purposes for conducting evaluations that are held by evaluation theorists. For example, Chen (1990) considers that an understanding of the program theory is central to designing an evaluation.

Evaluation that is designed with the program theory in mind enables the collection and analysis of information that will assist in the development of the theory and provides practical information for the program design. Alternatively, House (2001) considers the purpose of evaluation is to achieve social justice and that this is done by representing the perspectives of diverse groups of stakeholders, particularly those with a weak power base, and conducting evaluations committed to and able to exert influence in the process of social engineering.

Recently, evaluation theorists have sought to classify different approaches to evaluation according to their main evaluative emphasis (Alkin and Christie 2004; Stufflebeam 2001). This might suggest a movement within the field of evaluation to consolidate and refine the multitude of evaluation approaches. This may be the direction required if the field of evaluation is to develop an encompassing descriptive theory of evaluation. However, in commenting upon Stufflebeam's (2001) conclusion that a general approach to evaluation is warranted, Henry (2001) suggests that evaluation is heavily dependent upon context, with the choice of an approach guided by the environment in which the evaluation is conducted.

If context is so critical in establishing the evaluation questions, the scope of the research and how the findings are utilised, then the possibility of devising an encompassing theory of evaluation is unlikely. King (2003), in her article about the challenge of studying evaluation theory, also agrees that evaluation is largely context-driven. Accordingly, King proposes that, unlike the formulation of other theories, the theory of evaluation may need to be derived from and based upon the practice of evaluation.

Today, the practice of evaluation comprises many different approaches, with the choice of any given approach not necessarily superior to that of another. Rather, each evaluation is a reflection of many aspects coming together and providing a unique assessment of the object being evaluated. Nevertheless, in exploring the different ways that evaluations are conducted, common elements emerge enabling the different approaches to evaluation to be linked because they provide a common framework involving a similar language and overlapping methodologies. These common elements are broadly grouped for the purpose of this thesis as the purpose, parameters

and methods of evaluation. As each of these elements is discussed, examples of the way they have been applied in evaluations of public sector reform is explored and how these elements relate to the methodology applied in this thesis is described.

The elements of evaluation

Purpose

An evaluation can serve many purposes and being clear about this is important in developing appropriate evaluative questions and ensuring the overall approach to the evaluation will provide meaningful results. This section explores the primary reasons for undertaking an evaluation and describes the common approaches that are applied in evaluations of public sector reform. These approaches include whether an evaluation is undertaken as a case study or a meta-analysis, and in the form of a cross-sectional study or a longitudinal investigation.

Formative and summative evaluations

Evaluations generally seek to provide feedback on the operation of a program and are either formative or summative in purpose (Human Resources Development Canada 1998, pp. 8-9). Formative evaluations, also known as process evaluations, are concerned with providing feedback on how programs are operating or the outcomes achieved, but do not investigate events that would occur without the program. In contrast, summative evaluations, also called impact evaluations, are conducted to determine the success of programs in reaching stated policy objectives, with a key concern being to credit the outcome to the program rather than another event. Because the design of summative evaluations involves treatment and comparison groups, where the outcome for the comparison group is not observed, a key concern is devising a methodology that provides a useful comparison or counterfactual (Cobb-Clark and Crossley 2003). Both formative and summative evaluations are useful to a range of stakeholders and may impact on the overall direction and future of a program, therefore being highly pragmatic in orientation. A great deal of the evaluation literature on public sector reform is summative in its purpose, seeking to determine whether the reforms to public sectors are responsible for introducing

improved efficiency and effectiveness compared to the traditional approach to public sector organisations.

Knowledge-based evaluations

Another purpose for evaluations is gathering information and forming conclusions that are directed towards developing knowledge rather than directly impacting on the design of a program. These evaluations may seek to discover and test general theories and propositions about social processes and mechanisms as they occur in the context of social policies and programs (Mark, Henry and Julnes 2000, p. 58). For example, in Greene's (2005, p. 43) evaluation proposal for a school's learning program, the purpose of her evaluation is directed towards the knowledge end of the evaluation purpose spectrum. This is indicated in the description of her approach which is "fundamentally educative, aspiring to provide spaces and places for thoughtful, data-informed reflections on practice".

Knowledge-based evaluations are recognised in the public sector reform evaluation literature. For example, Boston (2000), in his analysis of evaluations into public sector reform in New Zealand, indicates that few studies have provided comprehensive assessments of the reforms. However, many comprise "careful, patient, perceptive analyses, and furnish important insights into the strengths and weaknesses of the new model of public administration" (2000, p. 131). Both knowledge-based and formative or summative assessments are undertaken either as case studies or meta-analysis.

Case study analysis

A case study is a comprehensive examination of a situation and is generally descriptive or exploratory in character, often aimed at establishing hypotheses for subsequent investigations, rather than providing an account of a situation that is universal in application. The use of the case study approach to investigate the impacts of public sector reform is common. Many variables are recognised as influencing the outcomes of organisational reform and the case study approach enables the relationships between variables to be fully explored and situational findings revealed.

For example, a case study approach is used by Worthington and Dollery (2001) to examine the technical and scale efficiency of domestic waste management in a cross-sectional analysis across New South Wales local governments. The study takes into account a large number of factors that are assumed to have an impact on efficiency and seeks to determine areas where inefficiencies could be reduced based upon observations of best practice. Such an analysis of the efficiency outputs of firms compared to best practice is recognised as a basic research strategy for governance and public management studies (Hill and Lynn 2004, p. 175). However, this type of research is considered more useful to practitioners of management, it being more challenging to apply the results across various contexts as expected in the application of formal theory. In this vein, Worthington's and Dollery's research identifies components that would enable local governments to engage in waste management with increased efficiency.

Meta-analysis

General conclusions about public sector reform and its impact on performance are more likely in research that examines a multitude of case studies across a wide range of organisational structures, industries, time periods and countries. A synthesis of such studies is useful for drawing together the evidence and providing an overall picture that no single case study on its own could accomplish.

Strictly speaking a meta-analysis attempts to statistically aggregate the results of individual studies and is applied in a stringent manner to enable meaningful information to be extracted from existing evidence. However, Boyne (2003a, p. 374) notes that formal meta-analytical techniques are inappropriate in the analysis of research on public management reform because of the wide variation in the definitions of variables that impact on public sector improvement and the operational status of dependent and independent variables. Accordingly, Boyne's review of 65 empirical studies adopts a modified statistical test to assist in the analysis of the results of the studies. Boyne comments that one of the major features arising from his analysis is the paucity of evidence on the determinants of public sector performance

with minimal knowledge about the influences of public sector reform on efficiency, value for money and customer satisfaction.

A similar theme is noticed in the book co-authored by Boyne, Farrell, Law, Powell and Walker (2003) that seeks to provide a thorough investigation of the impact of public management reform in the case of health care, housing and education in the United Kingdom. This research takes a longitudinal approach as the authors consider it necessary to track performance over time and examine the evidence that exists for differences in the periods before and after reforms and in concluding whether or not these differences are attributable to the reforms. Overall, Boyne and his co-authors are limited by the technical barriers and methodological hurdles faced in the gathering of case study evidence on the impact of reform and the researchers are unable to pronounce with confidence the reforms are either a success or failure.

Making certain that case study evidence meets robust design criteria appears a highly limiting feature of meta-analysis research on public sector reform and, without assurances from researchers that rigorous processes have been applied, the results may be uncertain. Overall, examining the results of meta-analysis approaches that consider the impact of public sector reform highlights the multitude of variables that are investigated by individual studies and brought together in a broad analysis. Establishing the influence of these variables on performance remains a difficult task and ascertaining that variations are due to factors related to public sector reforms are a further challenge.

The purpose of this evaluation is situated firmly on the side of knowledge-based inquiry and the case study approach is used to investigate the circumstances that surround new public management reform. The evaluation is not intended to provide definitive conclusions about the success of Centrelink and the Job Network in improving efficiency and effectiveness. Rather, the evaluation seeks to determine if improvements in efficiency and effectiveness have taken place since the commencement of Centrelink and the Job Network. If it is the case that improvements are apparent, then further research would be required to determine the cause of such improvements. Whilst the evaluation provides useful descriptive and

empirical material, the results are specific to the selected subject matter and therefore unrepresentative of other situations.

Applied to the case study or the meta-analysis, are either cross-sectional or longitudinal designs. Cross-sectional evaluations compare the performance of organisations within particular industries or services at a point in time. This contrasts to longitudinal designs that consider performance over the periods before, during and after reforms to public sector organisations.

Cross-sectional approaches

A number of authors comment that cross-sectional, or comparative, designs are the most common type of approach to assessments of performance in the case of public sector reform (Boyne 2003a, p. 388; Hill and Lynn 2004, p. 174; Jensen and Stonecash 2005, p. 771; Villalonga 2000, p. 46). Cross-sectional designs enable direct and immediate comparisons between public sector performance and the results achieved by private sector companies.

Whilst cross-sectional studies are popular, they are limited by the degree that outputs are comparable. Studies may be upfront about the number of differences and acknowledge the limitations that arise or seek to control for such variables, but many differences may be too obscure and easily overlooked. For instance, Jensen and Stonecash (2005) comment that although comparing the cost of refuse collection between public providers and private firms may appear straightforward, not all differences are easy to recognise such as "the fact that one collection area is much hillier than the other" (p. 771). This topographical difference is subtle, but the impacts on performance may be significant.

While this evaluation is not seeking to explain the impacts of Centrelink and the Job Network on the criteria of efficiency and effectiveness some insights may be possible if a department is examined that has not undergone a split in its policy and service delivery roles. Such an analysis may indicate similar or different trends in the performance of these criteria and aid in making loose comparative comments. In this way, the thesis is not completely overlooking the impact of structural reform.

The Department of Veterans' Affairs (DVA) provides a reasonable comparison, particularly in the case of Centrelink. The veterans' affairs department carries out similar functions to Centrelink, being involved in delivering services to veterans, including the provision of income support payments. However, unlike Centrelink and its purchasing departments, DVA has not undergone a split in its policy and service delivery functions. Both Centrelink and DVA are part of the Australian Public Service and have a monopoly on the provision of their services and so remain unaffected by a competitive environment. This common location within the Commonwealth public sector also means that DVA and Centrelink are regulated by the same Commonwealth legislative framework and have been affected by other overarching reforms to the public sector such as changes to industrial relations, human resource management, financial processes, planning and reporting requirements. More compelling, both Centrelink and DVA deliver income support payments and have parallel requirements for their information technology network and a similarity in the nature of their service delivery network and purpose. Also, both organisations produce similar data enabling a comparison on the basis of similar information.

A major weakness in using DVA as a point of comparison is that its operations are on a much smaller scale than Centrelink's. In addition, DVA has come to use the delivery network of Centrelink, although the use of Centrelink services is very limited and tends to involve servicing rural and remote communities. For example, in 2003-04, DVA paid Centrelink $438,000, representing around 0.15 per cent of DVA's total operational expenses for the year (DVA 2004).

While cross-sectional research is a useful tool for enquiries that question one form of service provision over another, a strong weakness is that this form of research is unable to gauge the level of improvement or decline that may occur over time. This timing aspect is particularly relevant to research on public management reform and Boyne (2003a, p. 388) comments that the cross-sectional nature of much of the statistical analysis of public sector reform is a "central weakness" that undermines the establishment of cause and effect relationships.

Longitudinal approaches

Public sector reform involves the transformation of large, hierarchical organisations involved in both the policy development and delivery of government programs, to structures that comprise discrete delivery agencies or introduce competition and private sector firms into the realm of service delivery. As such, a longitudinal analysis that spans a period of time before, during and after reform is useful in assessing the impacts of reform. A longitudinal approach is also able to take account of changes in the wider environment over time and the impacts these may have on performance.

Martin and Parker (1995) undertake a longitudinal study of the impact on performance of the privatisation of state-owned industries in the United Kingdom. Eleven firms privatised during the 1980s are tracked over different periods of time so that Martin and Parker are able to take account of numerous influences such as the boom conditions of the 1980s compared to the recessionary conditions of the early 1990s. In this way, the study may help to determine if performance has more to do with the business cycle rather than the change of ownership that public sector reform often entails. The data collected by Martin and Parker enable five distinct periods to be analysed, comprising a timeframe of four years for each period. The periods include three prior to privatisation (firstly during the period of nationalisation, then two periods pre-privatisation – one before and the other after the announcement to privatise) and two periods after privatisation (a post-privatisation and an economic recession phase). The periods covered in Martin's and Parker's study are comprehensive and are a strong component of the authors' methodology.

Villalonga (2000) examines a number of privatised Spanish industries and takes a longitudinal approach to assessing the impact of reform, stating that "privatization is by definition a *change*, and needs to be addressed dynamically by looking at a given firm's evolution and transition between its private and public stages" (p. 51). For this study Villalonga selected firms that would enable data to be available on profits before taxes, assets, financial expenses, sales and staff numbers for minimum periods of three years prior to privatisation and three years after privatisation. Although comprehensive, the approach limits consideration to firms able to comply with the study's data requirements and this would introduce certain biases.

One of the strengths of Villalonga's research is that major factors that intervene in the timing of privatisation effects on performance are considered. The factors identified are political, organisational and dynamic. Political factors deal with the decisions made by governments to adopt public sector reform. For example, the decision to privatise during a period of recession might increase government revenue, but may impact on the ability of an organisation to improve performance compared to being privatised during a period of economic boom. Organisational factors relate to the decisions made by organisations that are not predicted by governments at the time of reform, but that impact either positively or negatively on performance. The dynamic factors recognise the passage of time itself brings changes, including in the political and organisational arenas. The time periods considered by Villalonga (2000) are different to the more extensive periods used by Martin and Parker (1995) and this aspect can have implications for the observed effect of privatisation on performance.

The bulk of analysis for this thesis comprises a longitudinal approach in providing an answer on whether efficiency and effectiveness have improved since the introduction of Centrelink and the Job Network. The approach involves tracking changes in relevant data sources over time and across organisations. The timeframe over when the organisations are assessed commences in 1993-94 and ends with the 2003-04 financial year. This period covers a number of years prior to the reform, when the services were delivered by DSS and, within the employment department, the CES, and captures the first seven years of the operation of Centrelink and the first six years for the Job Network. The timeframe for the evaluation ends in 2003-04 as this is the last financial year before changes were announced that altered the governance arrangements of Centrelink and substantially shifted among departments the responsibilities for the services examined in this study.

It should also be noted that during the evaluation period administrative rearrangements took place that altered the programs for which departments were responsible. The longitudinal analysis tracks specific programs regardless of the department or organisation that managed or delivered these. These rearrangements are displayed in diagram 3.1.

Diagram 3.1: Organisational structures 1993 to 2004

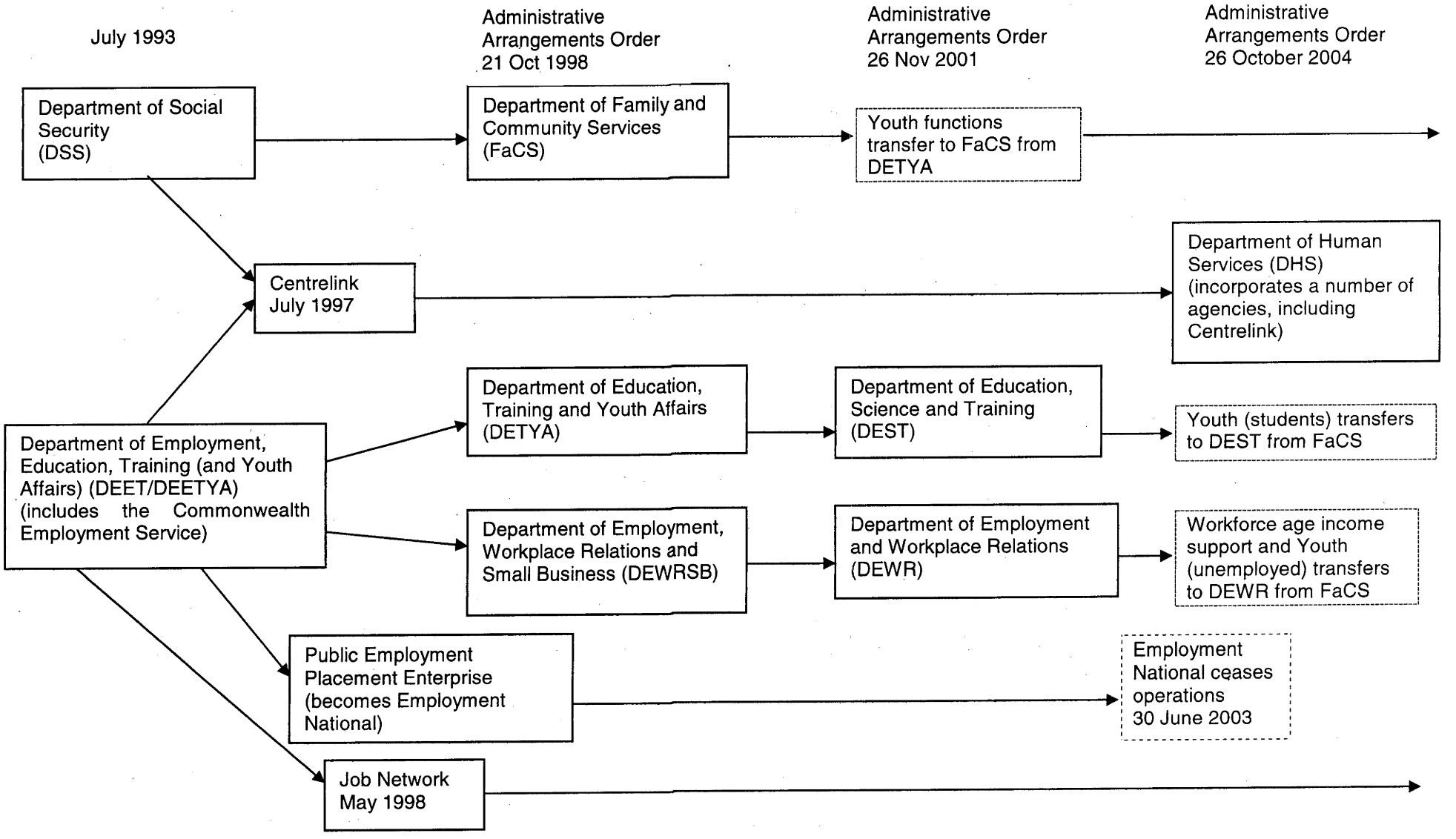

Diagram 3.1 shows the Coalition government established Centrelink in July 1997, with the Job Network following shortly afterwards in May 1998. The Administrative Arrangements Order of 21 October 1998 resulted in the Department of Social Security becoming the Department of Family and Community Services (FaCS). At the same time, the Department of Employment, Education, Training and Youth Affairs (DEETYA) was split into the Department of Employment, Workplace Relations and Small Business (DEWRSB) and the Department of Education, Training and Youth Affairs (DETYA). On 26 November 2001, following another election victory, the Coalition government transferred the youth functions from DETYA to FaCS and renamed DETYA as the Department of Education, Science and Training (DEST). At the same time, DEWRSB was reorganised, losing the small business functions, and becoming the Department of Employment and Workplace Relations (DEWR). The final rearrangement took place on 26 October 2004. The income support payments provided to people who are of workforce age was transferred from FaCS to either DEWR or DEST. At the same time, Centrelink became an agency within a new portfolio, the Department of Human Services.

Parameters

The parameters of an evaluation are those aspects that determine the boundaries and include factors related to the resources available and the time constraints imposed. Central to influencing the parameters of an evaluation are the criteria decided upon for making judgements about the success or failure of the object being evaluated. The number and nature of the criteria often reflects the breadth of stakeholders that are consulted in their development. A singular approach, engaging few stakeholders, results in the development of criteria that are specific and usually found in the stated objectives of a program. For example, a government commissioned evaluation (Human Resources Development Canada 1995) into a Canadian employment program, Novia Scotia Compass, involved a singular approach to the development of evaluative criteria with the stated objectives of the program forming the basis of the assessment.

A pluralist approach to the development of evaluation criteria accommodates the perspectives of a broad range of stakeholders and the evaluator generally engages in a process that seeks consensus from these stakeholders on the criteria to be used for judging the object being evaluated. The collaboration of stakeholders is generally involved throughout the whole of a pluralist evaluation process and the design of the evaluation endeavours to ensure an equal power balance between stakeholders is maintained. For example, the evaluation proposal presented by Greene (2005) for how she would proceed to evaluate a school's learning program takes a pluralist approach to the development of the evaluation criteria. Greene's style places importance on obtaining the perspectives and values of all those affected by a program, particularly those who may be alienated from the evaluation process.

For this thesis a singular approach to the development of the criteria is applied, rather than develop criteria that consider numerous perspectives and examine unstated outcomes or unintended impacts. Accordingly, major areas of performance improvement that Centrelink and the Job Network were expected to deliver on, and that are commonly mentioned as the gains flowing from adopting contractualist methods of new public management, are examined - the criteria of efficiency and effectiveness. While the definitions of these terms and matters related to their measurements are fully explored in the following chapters, a brief description follows.

Efficiency

In his speech at the launch of Centrelink, the Prime Minister, John Howard (1997), stated, "[t]he consolidation in Centrelink of so many of the services of the Government that interact with people will provide, of course, a more human face. It will provide a more efficient service". Likewise, Amanda Vanstone, then the government's employment services Minister, in a statement announcing the government's reforms to employment assistance, claimed the reorganised arrangements would "ensure the most cost effective and efficient use of available resources" (Vanstone 1996, p. 30). In these statements, as with others that accompany public sector reform, efficiency refers to the relationship of

inputs to outputs that, at its most simplistic level, seeks to achieve the greatest output for the least input. Within this framework, efficiency may also mean expanded outputs for the same level of inputs or maintaining outputs while minimising inputs. This evaluation explores efficiency by taking account of changes in the level of inputs and the associated outputs over the period before, during and after Centrelink and the Job Network were established. This is done by systematically examining data related to the costs of the arrangements, whilst taking account of the services provided.

Effectiveness

Effectiveness evaluations generally approach this criterion in terms of whether or not a program's stated goals have been accomplished. In the case of Centrelink and the Job Network the role of income support and labour market services in improving the employment prospects of disadvantaged job seekers is highlighted. Numerous studies, particularly those examining the Job Network, assess the labour market outcomes of the reformed employment assistance arrangements (see for example, Australian Council of Social Services 2000; Borland and Tseng 2004; Bruttel 2004; Considine 2000; Cowling and Mitchell 2003; Davidson 2002; Dockery and Stromback 2001; Eardley 2002a, 2002b; Eardley, Abelló and MacDonald 2001; Nevile and Nevile 2003b; Quiggin 2002; Ziguras, Considine, Hancock and Howe 2004).

This thesis adopts an alternative, and rarely examined, measurement of effectiveness that is explicitly linked to the reform's employment outcomes and emphasised by the government – service effectiveness as measured by improvements in the quality of services provided to customers. In the employment Minister's announcement of the reforms it was stated that "[c]lients will benefit from higher standards of service, more flexible and customised assistance, and ultimately better and more lasting employment outcomes" (Vanstone 1996, p. 15). The association between employment outcomes and improvements in the quality of services is not surprising. The current approach to labour market program outcomes has shifted the focus away from broad economic responses to

the actions and behaviours of unemployed people and assistance that is flexible in customising support that takes account of the individual's needs and circumstances.

A limitation in adopting a measurement of effectiveness that considers the satisfaction of end-users is that account is not taken of the wider population and the extent to which publicly-funded organisations support democratic outcomes. Critics of new public management express concern about the emphasis of reform on customers as the end-users of government services, suggesting this emphasis reduces the collective power of citizens. This is because the focus on individual users and their satisfaction with direct service encounters diverts the attention of citizens from contributing to the ways in which government policy responses are shaped or in holding government to account for the outcomes of policies (Box 1999; Box, Marshall, Reed and Reed 2001; Pollitt 1990; Rhodes 1994; Rockman 1998; Thomas 1998).

The focus in this thesis on the service effectiveness of Centrelink and the Job Network, as measured by the satisfaction of end-users, is not intended to detract from the insights that may be gained from measuring the effectiveness of these arrangements according to the wider views of citizens. Instead, the approach is to consider explicitly stated objectives of the reform and explore the extent to which these objectives are achieved. In the case of Centrelink and the Job Network achieving improvements in the quality of services was emphasised. For example, in Centrelink's inaugural annual report of 1997-98, both the chairperson of the Board, Robin Marrett, and the chief executive officer, Sue Vardon, explained that one of the priorities of the organisation was to provide excellence in service. The Board's chair recognised that "the key cultural driver for the organisation is a focus on customer service" (Centrelink 1998, p. 3). Similarly, the chief executive officer acknowledged the Government had introduced the agency to be "focused on, and specialising in, customer service" (Centrelink 1998, p. 17). Likewise, the Job Network was established on the assumption that high quality services would result. The Ministerial Statement that announced the new employment services market stated that, "[t]he introduction of a competitive market for employment services could be expected to significantly enhance the quality of services to job seekers" (Vanstone 1996, p. 13).

Methods

The methods element of evaluation concentrates on the techniques used to collect and analyse evaluation data. Two distinct streams within the evaluation literature are identified, dealing with either quantitative or qualitative methods. Quantitative methods of analysis are commonly found in summative evaluations where both experimental and nonexperimental methods are used to solve the problems in identifying suitable counterfactuals (Cobb-Clark and Crossley 2003). Qualitative data is based on an interpretative approach to the subject matter and produces data with multiple interpretations and rich descriptions of the areas studied, rather than seeking to determine causal relationships between variables.

Quantitative methods

In studies that consider the performance of public sector management, a large proportion of the research adopts a quantitative approach, with econometric methods of analysis applied for conducting efficiency and effectiveness investigations. For example, an article by Hill and Lynn (2004), that examines the evidence for whether hierarchical governance is in decline, identifies 16 studies that consider the incentives and effects of contracting out, with all but two of the 16 studies using econometric methods.

Some suggest the preference for quantifiable data comes from the influence of the scientific paradigm and a reliance on the use of mathematical procedures to arrive at conclusions that are considered irrefutable (Guba and Lincoln 1989, p. 37). However, the complexity of the interrelationships across multiple variables and the difficulties in determining causal linkages remains a difficulty. LaLonde's (1986) influential paper, that yielded contrary results when different statistical approaches were used with the same data, served to caution evaluators when using quantitative methods of analysis. Econometric techniques have progressed since LaLonde's research and nowadays a greater degree of confidence in the application of econometric methods is provided (Cobb-Clarke and Crossley 2003).

The value in studies that adopt quantitative methods is in deteremining the statistical significance of variables that may be associated with achieving greater levels of efficiency and effectiveness. However, proceeding with such associations to the point where causality can be shown is another matter. Causal associations require the cause (independent variable) to precede the effect (dependent variable) in time, resulting in a relationship between the variables that is asymmetric. In addition, establishing a causal connection requires the impact of other influencing variables to be ascertained and this may involve analysing a whole network of associations and understanding multiple causal links. Determining causal relationships is also difficult because changes in the setting may alter the effects. Furthermore, evaluators need to be aware that evidence to show the effect of increasing a variable cannot be used to support a claim about the effects of decreasing the variable. An added difficulty for research into the efficiency and effectiveness of public sector management is that variables may be interacting in nonlinear ways, which means that changes in the unit of input may be associated with different changes in output, including an increase in the output, but possibly decreasing the output or having no discernible impact on it.

A common econometric approach employed for measuring the performance of government service production is data envelopment analysis. This type of analysis provides the advantage of managing multiple inputs and outputs, particularly where it is difficult to assign values to these factors (Heshmati 2003; Pina and Torres 2001; Worthington and Dollery 2001). But, the approach fails to take random factors into account and treats all deviations from the frontier as inefficiencies (Heshmati 2003). Some writers modify data envelopment analysis techniques to overcome the shortcomings. For example, Ruggiero, Duncombe and Miner (1995) are concerned that a great deal of the data envelopment analysis that is used in assessments of public sector efficiency does not distinguish discretionary from fixed inputs. The authors modify data envelopment analysis to control for environmental factors and apply their modified version to determine possible causes of technical inefficiency in the provision of public

education in New York State. The modified approach enables results to be presented that disaggregate efficiency according to specific inputs and environmental factors.

Many authors highlight the difficulties of dealing with matters that concern public management efficiency through quantitative analysis. Hanushek (1986) examines research on the economics of education and explains why an economic tool such as the production function performs inadequately when applied to a social program. Hanushek (1986, p. 1148) notes the standard textbook treatment of production functions draws upon simplified examples in which knowledge of the inputs required to produce specific outputs are known. As such, straightforward calculations develop the appropriate combination of inputs to construct the production of required outputs at least cost. However, in the case of education, and other similar social programs, the production function is characterised by unknown inputs, that are estimated by using imperfect data and for which the capacity to alter aspects of the input mix is not always possible. Combined with inadequate measurements of the outputs, the result is a production function that is "subject to considerable uncertainty" (Hanushek 1986, p. 1149). Furthermore, Hanushek suggests that educational decision makers may be unaware of production processes and theories related to the profit optimisation of firms. Instead, other factors, unrelated to profits or the minimisation of costs, guide the processes and incentives in delivering public education.

Other authors express concerns that quantitative techniques applied in research on public sector reform may provide misleading conclusions (Boyne, Meier, O'Toole and Walker 2005; Gill and Meier 2000). For example, Gill and Meier (2000) consider the null hypothesis significance test, that has dominated quantitative analysis in the social sciences and public administration for decades, is "logically and interpretively flawed in the deepest possible sense" (p. 166). This standard statistical approach to hypothesis testing envisages two hypotheses – a null hypothesis and an alternative hypothesis. The null hypothesis is initially accepted as true until statistical evidence is able to nullify the hypothesis thereby supporting the alternative hypothesis. The null hypothesis significance test is most suited to research that is favourable to a single hypothesis.

However, in disciplines where there is a wide range of control variables, such as public management, use of this statistical test is inappropriate because data that supports a null hypothesis does not necessarily mean it is true, given the number of competing hypotheses. Moreover, acceptance of the null hypothesis, or the alternative, is limiting as it may inhibit the exploration of competing research hypotheses.

Alternative approaches to quantitative research, or a greater investment in developing more appropriate methodologies, are suggested (Gill and Meier 2000). One such alternative is adopting a Bayesian approach, which incorporates a subjective probability into testing the relationships between variables by accounting for prior knowledge and having regard to both the internal consistency among such knowledge and for the data presented (Raftery 1995). Some authors regard the public management environment as particularly Bayesian in nature because management decisions are not made in isolation, but incorporate prior experience and judgement (Boyne, Meier, O'Toole and Walker 2005, p.638). Such authors consider the public sector environment is unsuited to analysis using classical statistical methods. Similarly, Gill and Meier (2000) are concerned with the application of econometrics to the field of public administration because economic analysis is driven predominantly by economic problems and has become focused on theory rather than empirical analysis.

The multitude of factors and the numerous quantitative methods used to examine the efficiency of public sector reform may account for the wide variations in the findings on the success or failure of reform.

Qualitative methods

Another avenue for investigating the performance of public sector reform resides in qualitative research. Qualitative research into public service improvement does not necessarily seek to establish relationships between dependent and independent variables, but is directed towards providing useful insights into the changes in public sector management and the impact of these changes on programs and their administration. The

most common forms of qualitative research include observations, document analysis, interviews, surveys and individual or multiple case studies. Using these forms of research, qualitative analysis tends to be illustrative in nature and focuses on providing extensive descriptions of events and happenings.

An example of research that examines public sector policy from a qualitative perspective is the study by Ziguras, Dufty and Considine (2003) on the experience of disadvantaged job seekers with the mutual obligation regime in Australia. Using interviews to gather information, the study seeks to understand the impact of the active society approach to welfare and the associated compliance demands placed upon unemployed people. One of the findings is that people with severe barriers to employment are so preoccupied with meeting their obligation requirements, that fulfilling these requirements replaces the activity of searching for a job. These job seekers develop resentment towards Centrelink and are highly discouraged in searching for employment. Such a finding has application for further studies that may seek to explore the relationship between the performance of Centrelink and the welfare policies of government.

Using a meta-analysis approach, Forbes and Lynn (2005) examine published research to evaluate and provide insights into public management and government performance. These authors employ the same framework developed by Hill and Lynn (2005) who also adopt a meta-analysis approach to examining whether hierarchical governance is in decline based on a 'logic of governance' to frame the research. This approach acknowledges the multitude of social, political and fiscal influences that operate in the public sector and seeks to place research within a common logical framework. However, Hill's and Lynn's (2005) research, that concentrates on American data, is highly biased towards quantitative material. In contrast, Forbes and Lynn (2005) seek only non-American studies for their meta-analysis and find the international literature incorporates a great deal more qualitative material. This qualitative material is valued by Forbes and Lynn for the theoretical viewpoints offered and the interpretive or speculative conclusions provided. The authors conclude that meta-analysis which considers only statistically significant results "fail to capture the full range of theories and variables

under study" and the "inclusion of reasonably well conceived qualitative studies affords a more complete picture of the international public management research enterprise" (Forbes and Lynn 2005, p. 565).

The strength of qualitative research is that it adds to the knowledge about reform and may identify possible influencing variables and suggest relationships for further investigation that have avoided observation using the more prescriptive methodologies of quantitative research.

The approach of this thesis is qualitative in orientation, although it adopts highly empirical methods. The evaluation does not seek to determine the possible variables involved in the efficiency and effectiveness of the arrangements and the extent that such variables are responsible for the success or failure of the reform. Rather, the approach adopts a systematic appraisal of the data related to the costs of the arrangement and the levels of customer satisfaction to the programs delivered. The analysis is directed towards understanding whether efficiency or effectiveness have improved since the alternative arrangements for the delivery of income support and employment services were introduced and seeks to obtain this by a thorough examination of relevant data sources. If the findings reveal that, since the introduction of Centrelink and the Job Network, cost efficiencies are indicated or customer satisfaction has risen, then further research may proceed to establish if the reasons for such efficiencies or service effectiveness derive from the reformed delivery structures or result from other variables. In the first instance, this evaluation will provide useful insights about the directions taken with efficiency and effectiveness in a specific example of public sector reform.

Efficiency data

For detailed information on the costs and programs delivered, comprehensive descriptions are provided in the organisations' annual reports and financial statements. The benefit of using these documents is they are prepared in accordance with specific requirements, including that the financial statements give a true and fair view of matters

as required by orders of the Finance Minister. The veterans' affairs portfolio also prepares annual reports in accordance with the Finance Minister's orders and this enables cross-sectional judgements to be made for the period that aligns with Centrelink's delivery of income support payments.

The annual reports include both departmental and administered funding for each major program, which is important in drawing conclusions about the operational efficiencies associated with the different programs. The capacity of organisations to alter the administered costs of programs is highly limited as these costs relate directly to the goods or services received, but they do provide an indication of the amount of program dollars an organisation manages. On the other hand, departmental costs are within the control of organisations and serve as an indication of operational efficiency, particularly when the type of services delivered and the number of clients are also taken into account.

Access to the publicly available annual reports and financial statements over the evaluation period provides continuity in the type and format of data available and assists in a process that requires comparative analysis. However, in some instances, particularly in the more recent annual reports, the level of detail provided is lacking. For example, during the period 1993-94 to 1997-98, DSS provides departmental costs, administered costs and the average staffing levels for each payment type that comprises the entire social welfare system. However, as the Centrelink arrangement emerges this detail is not provided. In the 1998-99 and subsequent annual reports, the departmental costs relate to outputs rather than payment types, such as output group 3.1 that comprises nine payment types. For output 3.1 departmental costs are indicated in only two broad figures, one amount for the costs of the department and another amount for the costs of Centrelink. Also, from 1999-00 onwards, the Centrelink annual reports provide no information on the average staffing levels for any outcome, output or payment type. Given the large workforce employed by Centrelink and the costs or saving that relate to staffing numbers, providing only an aggregate staffing level for the entire agency limits the depth of analysis that can be undertaken.

Similar concerns about the lack of data is raised in the case of the Job Network, particularly in the case of individual Job Network members for which no specific costs, types of services provided or staff employed are outlined.

A further limitation in using the annual reports is the change from a cash basis to an accrual accounting framework from 1999-00. Accrual budgeting shifts the emphasis away from cash inputs, towards outputs and outcomes, with organisations funded at an agreed price for their outputs. As such, accrual accounting supports the output-outcomes framework that is a common feature of public sector management reform.

Despite a language that would suggest significant changes, accrual-based reporting does not substantially alter the expenditure reporting patterns to the extent that a longitudinal analysis is not possible. Carlin and Guthrie (2000), reporting on a study they completed of output-based budgeting (OBB) in Australia and New Zealand, observe:

> Indeed, what was most striking about many OBB systems reviewed for the purposes of our study, was how fundamentally similar in form the resulting budget paper documentation was to the documentation prepared along traditional "input" lines. This observation caused us to question the extent to which internal management processes had fundamentally changed as a result of the adoption of "new" systems in the guise of OBB budgeting. (T. Carlin and J. Guthrie, Third Bi-annual Conference of the International Public Management Network, Sydney, 4-6 March 2000)

From a practical perspective, adopting the accrual accounting approach means that from 1999-00 the annual reports provide financial information in relation to specific outputs and outcomes. As such, the corporate services previously undertaken across programs and reported separately, such as personnel services, property services or computing infrastructure services, become integrated into the outputs-outcomes structure and are reported as part of the funding for specific outputs or outcomes. For those periods of this evaluation prior to 1999-00, when corporate costs are separately identified, these costs are apportioned according to the percentage that each program represents of the total expenses of the department. The resulting proportion of corporate expenses are then included in each programs' departmental expenses. For example, in 1995-96 the total

cost for DEETYA of the employment program comprised 19.5 per cent of the department's total expenses. As such, 19.5 per cent of the corporate costs are attributed to the employment program for the 1995-96 financial year.

It should be noted that costs provided in the annual reports are converted for the analysis into real terms, using 2004 dollar values and calculated according to increases in the consumer price index. This approach ensures that changes in the value of the dollar are taken into account.

Effectiveness

A standard measuring tool for determining the quality of customer service levels is customer satisfaction surveys. Customer satisfaction became an emerging issue in the 1980s as service industries expanded and firms turned their attention towards achieving greater competitive advantages in this area (Iacobucci, Grayson & Ostrom 1994, p. 93). The expanded role of customer satisfaction is reflected in Kaplan's and Norton's balanced scorecard, a device for measuring an organisation's overall performance, which includes customer satisfaction as one of its four performance measurements (Wisniewski and Dickson 2001, p 1058). The balanced scorecard became a feature of Centrelink's approach to performance measurement, highlighting the importance Centrelink's management placed upon providing quality customer service.

While the evaluation of efficiency takes a wide view of the reform and comprehensively investigates most aspects of income support and employment services, the effectiveness evaluation concentrates on the impact of the reform on job seekers. This is because the government's announcement of the reform emphasised the service improvements that would flow through to unemployed people by establishing Centrelink and removing the dual registration and payment processes. The registration process required unemployed people to register with the CES before claiming an unemployment payment from DSS. Under the reformed arrangements, Centrelink has become responsible for registering

unemployed people, determining entitlement for income support and assessing employment capacity for referral to the appropriate employment service.

As the publicly reported findings of customer satisfaction surveys relating to Centrelink and the Job Network are ad hoc and do not consistently report on the same component of customer service over time, the author contacted Centrelink and DEWR to obtain longitudinal customer satisfaction survey data. In both cases, information was unable to be obtained and Freedom of Information requests were lodged. Centrelink provided data on the satisfaction of employment customers and youth job seekers with the overall quality of Centrelink services for the period 1997 to 2004. However, Centrelink's survey questions focus on broad aspects that are applicable to all customers regardless of the payment they are on and the type of service they are receiving. Specific questions related to employment services are not included in Centrelink's surveys and it was suggested survey data from the employment department would be of greater assistance. The surveys conducted by the employment department collect information on job seekers' satisfaction with the services provided by Job Network members and Centrelink. Concerns related to the privacy of customers' information is avoided as no data was requested that would indicate the identity of job seekers. The documents provided under the Freedom of Information request are listed in Appendix 1. For the cross-sectional analysis, survey data was also obtained from DVA. The veterans' affairs department began conducting regular veterans' satisfaction surveys in 1995. From 1998, DVA changed its approach from a general snap shot of services to specific cyclical surveys of the different areas of service delivery. The department provided copies of their survey results from 1995 to 2004. The survey instruments used in this thesis are described in detail in Chapter 10.

The use of customer satisfaction surveys is not without its limitations. Using the findings of customer satisfaction surveys is laden with difficulties and the subjective nature of these instruments is highly problematic, commonly placing the results in dispute. The issues relating to the measurement of customer satisfaction are examined in greater detail in Chapter 9. For the purpose of this study, it is recognised that precise comparisons

between the organisations and across time may not be possible. However, the body of data contained in the customer satisfaction surveys is extensive, high quality methodologies are used and substantial financial outlays by government are involved. As such, the results provide the opportunity to confidently form reasonable general observations about the trends taking place in customer satisfaction.

Conclusion

Judging the appropriateness of the methodology outlined in this chapter is somewhat arbitrary as many variations are possible in the application of the elements of evaluation. Different evaluators might choose alternative criteria, define the criteria of efficiency and effectiveness in other ways, examine other data sources or employ different techniques to interpret the data. Each evaluation design will be unique and contain its own set of strengths and weaknesses.

However, important aspects of evaluation design need to be fulfilled to ensure the conclusions reached are justified and provide credible answers to the evaluation questions. These aspects include a systematic approach that considers the purpose of the evaluation, matches the evaluation questions to the available resources and background of the evaluator, collects relevant and robust data, analyses the information in an objective fashion and reports the results with an appreciation of the limits of the study. The approach outlined for this evaluation of the efficiency and effectiveness of Centrelink and the Job Network incorporates these elements of a sound quality evaluation.

Systematic consideration has been given to the evaluation design with the purpose clearly outlined and placed at the centre of the evaluation. The approach adopts a case study of Centrelink and Job Network in a design that incorporates both longitudinal and cross-sectional analysis. The criteria for assessing Centrelink and the Job Network are identified and defined. The methods chosen are within resource capacity and seek to provide an objective account of efficiency and effectiveness. High quality government

data sources form the basis of the material examined and, as will be shown in the following chapters, a thorough and careful analysis is undertaken.

The evaluation is not designed to enable the findings to be generalised to other public sector reforms. Rather the value of this investigation is the logical, systematic approach that is given to understanding whether efficiency and effectiveness have improved since the introduction of Centrelink and the Job Network, or when compared to the veterans' affairs portfolio, an organisation which is similar to Centrelink in providing income support payments, but has not undergone a split in its policy and delivery functions.

To this point, the thesis has concentrated on setting the scene for public sector reform in the late-twentieth century and constructing an evaluation design for assessing whether efficiency and effectiveness have improved in a specific application of these reforms. The examples of Centrelink and the Job Network have been chosen to provide an illustrative case study of public sector reform, with two of the most commonly associated outcomes – efficiency and effectiveness – selected as the criteria for assessing the reform. In the current chapter, the elements that comprise a sound evaluation design have been explored and applied to devise a practical evaluation methodology. In the following chapters of this thesis the main analytical task of assessing in detail the trends in efficiency and effectiveness is undertaken.

Chapter 4: Efficiency in public sector reform

In this chapter, the meaning of efficiency is examined and its application in public sector reform is considered. A central theme of recent reforms to the public sector is the claim that separating policy from delivery, either through agencification, outsourcing or privatisation, is more efficient than bureaucratic structures designed around large-scale hierarchical organisations that undertake all aspects of developing, implementing and delivering public services.

The idea that a specific way of doing something is more efficient than another has broad appeal. Afterall, the funds of governments are limited and it is prudent to ensure no more of taxpayers' money is spent than necessary. But, claims of efficiency should be closely scrutinised as it is by no means certain that new public management arrangements are more efficient than previous structures. If the methods of delivery suggested by new public management resulted in universal and noticeable efficiencies, then adoption of these methods would be universal, or at least widespread. However, many consider the new public management claim of greater efficiency to be more rhetorical than substantive and there is considerable empirical evidence that indicates government organisations are as equally efficient as private businesses. Indeed, it has been suggested the most prevalent form of international convergence with new public management is discursive or

decisional in nature, but that taking action and producing results is far less common (Pollitt 2002).

Before an assessment of the efficiency of Centrelink and the Job Network is undertaken it is worthwhile examining the meaning of efficiency and how this is applied in public sector reform. This chapter demonstrates the meaning of efficiency is not necessarily straightforward and emphasises the importance of context in applying the term. The chapter then explores ways that efficiency has previously been considered in assessments of Centrelink and the Job Network. This enables the insights of other evaluations to be considered and alternative evaluation methodologies to be reviewed.

The meaning of efficiency

The term 'efficiency' has been used in the public administration literature for decades and most likely linked to public sector reform throughout the history of public bureaucracies. However, the emphasis placed upon efficiency in the current framework of new public management reform constitutes a direct challenge to the processes developed within the public sector and even large segments of the bureaucracy itself. Established bureaucratic procedures are replaced by methods common to private enterprise and substantial components of the public sector are reduced with the view that better value for money will be delivered by multiple agencies operating in competitive environments.

In many of the writings on new public management the idea of efficiency is used with no direct linkages between inputs and outputs (Pollitt 1998, p. 53). The introduction of Centrelink is one such example, with the Prime Minister's speech at the official launch providing numerous references to the "efficient" services Centrelink would deliver, without elaborating on the specific meaning of efficiency (Howard 1997a). While the Prime Minister was most likely linking the idea of efficiency to cost savings, this is not made explicit, with the term being used more generally to impress upon his listeners that efficiency benefits from the reformed delivery arrangements would be forthcoming.

Referring to efficiency on a broad level, Hawkins (1950, p. 31) notes the term has an abstract quality involving "an impression of competence or capability, readily recognised when a person, or a piece of plant, or an organization, does its work particularly well". The view expressed by Hawkins incorporates a generalised concept of efficiency that relates to how well the work on a task is carried out. This idea of efficiency is closely associated with the concept of effectiveness, but effectiveness has more to do with the extent that a task achieves the purpose for which it was designed, as compared to efficiency dealing with the way that a task is carried out, regardless of whether the end objective is met.

Hawkins (1950) proceeds further and explores the concept of *economic* efficiency – a term that commonly appears in management texts. Economic efficiency involves the avoidance of waste in the production of goods and services that meet consumer demands at prices the consumers are prepared to pay and that provide a profit for the producer (Hawkins 1950, p. 31). Further reading of economic texts reveals that 'efficiency' has a multi-definitional quality and exploring the various uses and dimensions enables a greater understanding of studies that seek to determine the efficiency of organisations.

Accepted as an influential article, Farrell (1957) describes a method for measuring the overall efficiency of a firm that separates the idea of efficiency into *technical* and *price* efficiency. Technical efficiency relates to the success of a firm in producing the greatest output from a given set of inputs or a specific output from a minimal level of inputs. Price efficiency takes into account the costs of various inputs and measures the extent that inputs are used in optimal proportions given their prices. The overall efficiency of a firm is a combination of technical efficiency and price efficiency and is determined according to an assumed standard of perfect efficiency.

Most current day economic texts refer to price efficiency as *allocative* efficiency because this measurement of efficiency involves the appropriate allocation of inputs to achieve maximum profitability or cost minimisation. For example, Kalirajan (1990) separates the

idea of economic efficiency into technical and allocative efficiency. Similar to Farrell (1957), the technical efficiency of a firm is described as the "ability to obtain the maximum possible output from a given set of resources" (Kalirajan 1990, p. 75). Allocative efficiency relates to the ability of a firm to maximise profits by making adjustments to the "manner of application of inputs on outputs" (Kalirajan 1990, p. 75). Allocative efficiency also takes into consideration the market price of products and accordingly deals with the distribution of goods and services and seeks to allot these so there is a match between production and the preferences of consumers (Boyne, Farrell, Law, Powell and Walker 2003, p.16). Defined in this way, allocative efficiency ensures that maximum net benefit is obtained in the use of outputs.

However, the economic literature is not always straightforward and consistent with the usage of terms. Other words replace or overlap with the ideas of technical and allocative efficiency and some authors utilise the term *productive* efficiency to equate with technical efficiency. For example, Kay and Thompson (1986) examine the sale of government industrial assets in the United Kingdom and define productive efficiency to mean "that whatever is done should be achieved at minimum cost" (p. 20). However, Ng and Li (2003, p. 608), in their analysis of the effect of training on enterprise efficiency, consider productive efficiency on an industry level to represent a wider concept that incorporates technical efficiency, as well as the efficient allocation of inputs and the total output of the industry group.

Hall (1959) also identifies technical efficiency, but contrast this with *target* efficiency, a concept that is concerned with "how much a particular firm has to increase its output to reach the best in its particular environment" (p. 74). Hall (1959, p.74) sees target efficiency and technical efficiency as "lying between" or 'overlapping" with the concepts of *managerial* efficiency and efficiency *in use*. Managerial efficiency, as with target efficiency, involves the management performance of a firm and considers variables that are under the control of managers. Efficiency in use, closely relates to technical efficiency as it concerns the efficiency of the productive unit in terms of the output achievable by the plant. However, Tomkins (1987) describes managerial efficiency,

which he also refers to as *internal* efficiency, as "given that we want cakes, what is the cheapest way of producing them?" (p. 16). In this way, Tomkins is using managerial efficiency in a similar way that many authors use the term technical efficiency. That is, Tomkins's description concerns the combination of inputs and outputs where the greatest output is achieved with minimal input.

Allocative efficiency is closely related to the idea of *distributive* efficiency as used in the study of welfare economics. Distributive efficiency concerns the way that goods and services are redistributed among income groups in society (Hőlsch and Kraus 2006, p. 51). However, Hőlsch and Kraus (2006) distinguish distributive efficiency from allocative efficiency, emphasising that allocative efficiency is concerned with how society's resources are allocated whereas distributive efficiency deals with the share of wealth in society. Allocative efficiency is often used in an assessment of the impact of social assistance schemes on labour supply and suggests the guaranteed minimum income offered by social assistance schemes may operate as a disincentive to either join the workforce or increase the hours of workforce attachment and thereby results in an inefficient allocation of labour.

Given the range of economic uses applying to the term 'efficiency', and the extent that the term is used without definition in public sector reform, it is prudent to consider the meaning embedded within the context that it is used. Generally, from a public management perspective, efficiency refers to technical efficiency, with the focus of current public sector practices directed towards cost minimisation (Boyne, Farrell, Law, Powell and Walker 2003, p. 16). Technical efficiency is most commonly measured by the unit costs required to produce a unit of output and this can be reasonably straightforward in a commercial product environment where profits are the bottom-line and suppliers are able to accurately determine the inputs required to produce goods and services at prices consumers are willing to pay. However, determining technical efficiency in relation to the services provided by government may not be as clear-cut. For example, Boyne et al. (2003, p. 17) comments on the indirect costs involved in outsourcing and how these may be excluded from assessments of efficiency. These costs

include obscure items such as the payment of social security and welfare services in supporting workers whose jobs have become surplus through public sector reform.

The cross-sectional study by Byrnes, Grosskopf and Hayes (1986) highlights the importance of being clear about the type of efficiency that is evaluated. The authors examine data from 1976 on the water utilities industry in the United States. The study adopts a production function approach to measuring technical and scale efficiency, as compared to a cost or profit function approach. The econometric analysis of 68 government-owned and 59 privately-owned water utility companies concludes that the type of ownership does not impact on the level of productivity and, therefore, that public water utility companies are no more wasteful or slack than their private sector counterparts. The authors are linking the notion of efficiency to productivity that, as the previous section on the definition of efficiency has shown, relates to the idea of technical efficiency. This is different to studies that might investigate the cost efficiency of firms and therefore comment on price-related efficiencies. As such, Byrnes, Grosskopf and Hayes view their results as consistent with other studies that, using the same data, have found public utilities to have higher costs. These other studies are based on a definition of efficiency that considers the costs of private and public water utilities, rather than measurements of their productivity. This study raises issues about variations in findings related to use of the same data and the need to acknowledge the type of efficiency that is being studied and the methods used to capture this.

An important consideration in reforms that seek to improve efficiency by measuring the inputs and quantity of outputs, is to include a measure of the quality of the product (Boyne, Farrell, Law, Powell and Walker 2003). Within this framework a number of combinations of the three variables (cost, quantity and quality) are possible in forming judgements on the success or failure of the efficiency of public sector reform. However, the measurement of quality in services funded by the government is often elusive, with no clear agreeable measures available. For example, in the provision of welfare services, one of the many standards of quality relies upon the actions of individual service operators in their dealings with clients, but measuring and ensuring quality standards

across numerous different operators is problematic. Nonetheless, the inclusion of a quality component in the measurement of efficiency recognises that public sector reforms involving the level of inputs and how this translates into the quantity of outputs are likely to impact on the quality of these outputs. It is important to acknowledge the quality component in an efficiency evaluation and ensure quality measures are maintained or not diminished in reforms that seek to reduce costs while delivering similar levels of output.

A common forecast is that private, profit-seeking firms are likely to compromise on quality in order to reduce their costs – the 'quality shading hypothesis'. An alternative view is that quality will improve under new public management because competition between providers fosters quality service provision and the contractual arrangements specify the quality of services required and monitor the results. Perhaps, in the first instance, it is helpful to consider quality as separate from a determination of cost efficiency and then make an overall assessment of reform based on both the cost efficiency of production and measures of the quality of outputs.

Summary

In translating the concept of efficiency from an abstract notion into a tangible assessment of the Centrelink and Job Network arrangement, this exploration of the term highlights the relationship between inputs and outputs. Governments may have an input-focus and choose reform for the possibility of achieving cost-savings or possess an output-focus and seek to achieve more with the same level of input. With a deep show of faith in new public management reform, governments may believe they will be able to deliver more outputs with less inputs.

Prior to examining the indicators of efficiency this thesis is using to evaluate whether improvements have taken place since the commencement of Centrelink and the Job Network, this chapter explores the ways that efficiency has previously been assessed in the case of Centrelink and the Job Network.

For Centrelink, the emphasis on cost-savings involving a reduction in inputs is apparent. Centrelink was established to return to government substantial savings and efficiency dividends indicating the level of return to government were made explicit. For the Job Network, the government was guided by reform principles they believed would produce both cost-savings combined with better and more sustainable employment outcomes. These reform principles for the Job Network typify the new public management approach involving the development of a competitive market, devising an outcomes framework and introducing incentives-based contracts.

Assessments of Centrelink and the Job Network

This section examines the ways that efficiency has previously been assessed in the case of Centrelink and the Job Network. The methods used and the strengths and weaknesses of these methods are emphasised in this analysis. This section also provides a useful background ahead of the efficiency evaluation of Centrelink and the Job Network conducted in the following four chapters of this thesis.

Common and often highly publicised evaluations are conducted by the departments or agencies that are involved in the reform. Such evaluations may be undertaken by consultants, as in the case of Centrelink's efficiency evaluation by the Boston Consulting Group (2002). A caution against possible biases in these types of evaluations is encountered. For example, meta-analysis studies by academics (Boyne 2003a; Forbes and Lynn 2005; Hill and Lynn 2005) have limited the use of material to those articles presented in leading public administration journals in the belief that such articles provide a greater degree of independence and peer review than the "overtly promotional and normative literature by governments and consultants" (Forbes and Lynn 2005, 561).

Review from independent government authorities that operate at arm's length and are tasked with oversight, such as the Australian National Audit Office or the Productivity Commission, claim a high degree of transparency and independence in their investigative

processes. Another source is independent assessments based on sound methods and with a degree of objectivity in the findings, such as those conducted by academics.

Centrelink

Boston Consulting Group

In the case of Centrelink, one of the major efficiency studies undertaken was commissioned by the Centrelink Board of Management and conducted in 2002 by the Boston Consulting Group. The Boston Consulting Group devised a cross-sectional study and used a method that involved interviewing key external stakeholders and visiting Centrelink service centres, area offices and call centres. Centrelink's costs in specific areas were compared with selected financial institutions, comprising mostly financial services such as banks and insurers.

As with all studies that are cross-sectional in design, the results of the Centrelink efficiency review was limited by the extent to which Centrelink's operations were able to be likened, then compared, to the costs of other organisations. In this regard, the efficiency report recognised that Centrelink's workload significantly exceeded in volume and complexity the workload dealt with by other organisations in the study. Another limitation for the study was accepting cost data provided by Centrelink for specific areas of its operation. The report itself questions the integrity of the data noting that "Centrelink's understanding of its costs and its access to good cost information are inferior to those found in other network organisations" (Boston Consulting Group 2002, p. 7).

The five major cost areas examined by the Boston Consulting Group consisted of service delivery, call centres, management and support, information technology and property. In all of these operational areas, the Boston Consulting Group found the cost efficiency of Centrelink was comparable to that of other businesses, taking into account the organisational complexity of Centrelink's operations.

Subsequently given some prominence was the finding by the Boston Consulting Group that Centrelink had achieved efficiency gains of around 21 per cent since its establishment. For example, both the chairman of Centrelink's Board and the chief executive officer highlighted this efficiency finding in their reports for the 2002-03 Centrelink annual report (Centrelink 2003a, pp. 2 and 3). While the measurement of efficiency derived by the Boston Consulting Group is favourable for Centrelink, the reasons for this should be closely considered, as the efficiencies are not necessarily related to Centrelink's establishment and methods of operation.

The Boston Consulting Group calculated Centrelink's efficiency by examining expenses and linking these to workloads, thereby determining the cost per unit workload. The expenses component utilised Centrelink's annual operating costs, adjusted for inflation, over the five financial years comprising 1997-98 to 2001-02. The workload was measured by the minutes of work required to undertake Centrelink's core activities. The core activities examined included the area network and call centre workloads that were associated with general enquiries, assessing new claims, activities involved in processing recipients' changed circumstances, raising debts, undertaking payment reviews and dealing with the participation requirements of those in receipt of unemployment payments. The 21 per cent efficiency measurement was derived from the net effect of a two per cent increase in real operating expenses and an estimated increase in workload of 29 per cent.

A number of concerns are raised with the methodology that determined Centrelink's efficiency level. For example, it is unclear how the estimated 29 per cent increase in workload is calculated. The report of the Boston Consulting Group indicates the growth in Centrelink's workload had been driven by an increase in call centre volumes and the additional participation requirements placed upon recipients of unemployment payments. However, over the same period, 1997-98 to 2001-02, the Centrelink annual reports indicate a growth in telephone calls of 17.5 per cent. Also, over this period, while the overall percentage of customers increases by 12.5 per cent, the number of customers in receipt of an unemployment payment, and involving the additional particpation

requirements, reflects the strong economic conditions and decreases by 25 per cent. These figures from the annual reports do not provide strong support for a 29 per cent estimated increase in Centrelink's workload.

The calculations of the Boston Consulting Group's efficiency measurement also appear to neglect the activities involved at the national office level that, ultimately, support and therefore should be linked to Centrelink undertaking its core activities. While figures in the Centrelink annual reports for the period 1997-98 to 2001-02 indicate that staffing levels in the Centrelink area offices and call centres reduced from 23,174 to 21,595, staff in the national office increased from 2162 to 3048. These staffing figures represent a loss of staff in the Centrelink network of almost seven per cent compared to a gain at the national office level of 41 per cent. In absolute terms, the decline in the Centrelink network and the growth in national office, results in an overall loss of 693 staff, but if the workload associated with Centrelink's core activities excludes the national office involvement, a distorted picture of inputs, effort and outputs may emerge.

On the topic of staffing at the network and national office level, it is interesting to note that it is staffing at the senior levels that have increased by a greater proportion than other levels. For example, the Senior Executive Service (SES), the highest level of public sector employment, increased in the Centrelink national office by 70 per cent over the period 1997-98 to 2001-02. Over this same timeframe, staff at the executive level, the feeder level for the SES, increased in national office by 65 per cent. This compares to increases in the Centrelink network of 12 per cent for SES officers and 10 per cent for executive level officers. By way of comparison, staff at the lower levels, the Administrative Services Officer classes 1 to 6, increased by 32 per cent in national office and decreased by eight per cent in the network. The increase in the number of senior staff and less staff in the regional network is in contrast to the new public management principle involving devolved decision-making and flatter organisational structures, but is consistent with the managerialist emphasis and the finding by Pollitt that "among the most common practical effects on the New Public Management are increased authority (and often salary) for top managers and the shedding of staff at lower and middle levels"

(1998, p. 51). A detailed account of issues related to staffing is provided in the next chapter.

Another factor that influences the findings of the Boston Consulting Group's efficiency analysis is the period of time taken into account for the study. Using a different time period to track changes in Centrelink's operating costs reveals a different picture. Centrelink was able to contain operating costs during the period 1997-98 to 2001-02, largely as a result of substantial retrenchments during this early period of its operations. However, in later periods such costs are not controlled to the same extent. For example, in 2002-03, when staffing levels increased by seven per cent, costs rose in real terms from the previous financial year by around eight per cent. Accordingly, the cost efficiency model as developed by the Boston Consulting Group would not indicate the same level of efficiency gains for the period 1997-98 to 2002-03 as the 21 per cent reported for the period 1997-98 to 2001-02.

If the findings of the Boston Consulting Group's evaluation are accepted as indicative of improved efficiency, it does not necessarily follow that such efficiencies are a result of the changed structural arrangements. Other factors, such as technological advances, may be responsible for improved efficiency and would have taken place had the previous delivery structures been retained. In the case of Centrelink, improvements in the processing of activities are partly explained by the introduction of changes to the information technology systems. In May 1998, building upon work largely completed within the previous DSS, Centrelink introduced significant changes to the computing infrastructure for allowances. Called the 'Newstart Common Platform', the introduction of these changes reduced the workload in some areas and, as acknowledged by the Boston Consulting Group, "explain, in part, Centrelink's overall efficiency improvement" (Boston Consulting Group 2002, p. 20).

While the government was confident that integrating the functions of DSS and some of the tasks of the CES into Centrelink would provide a "more coherent and more efficient delivery" (Vanstone 1996, p. 16), the Boston Consulting Group concludes that only a

small proportion of Centrelink's efficiency gains derive from the merger of the two organisations. The efficiency report indicates that while major gains from business mergers often arise from the rationalisation of computing systems and branch networks, in the case of Centrelink, opportunities to reduce these costs were minimal. The report identifies the main drivers of the efficiency gains as the staff reductions of around 5000 employees and technology advancements provided by the introduction of the Newstart Common Platform. Whether the efficiency report also accounts for the costs of staff retrenchments, amounting to over $129 million[11] in the three financial years 1997-98 to 1999-00, is not clear.

Australian National Audit Office

The Australian National Audit Office (ANAO) is a specialist public sector audit office that provides support to the Auditor-General in conducting independent assessments of specific areas of public administration. The Office has extensive powers of access to Commonwealth documents and the work is governed by auditing standards applied by the auditing profession in Australia. As such, the performance and financial statement audit reports produced by the ANAO are designed to provide a reasonable level of assurance that its audits present an accurate portrayal of the efficiency and effectiveness of public sector bodies.

Since 1997, the ANAO has conducted numerous performance reports on the efficiency and effectiveness of various aspects of Centrelink's operations. In its investigations, the Audit Office considers specific payment types, such as Parenting Payment (ANAO 2003b) or Age Pension (ANAO 2001a), the operation of systems that support the payment of income support, such as the debt management system (ANAO 2004) or the review and appeal system (ANAO 2005c) and broad administrative mechanisms that support the management of the organisation, such as the planning and monitoring

[11] The costs of retrenchments are provided in the Financial Statements of Centrelink in the 1997-98 to 1999-00 Centrelink annual reports.

mechanisms that support cost effective service delivery (ANAO 2000b) or the operation of the Value Creation Program (ANAO 2005d).

A common theme throughout the ANAO audits of Centrelink is the inability to assess the cost efficiency of the programs or systems under investigation because of a lack of cost-related performance information. Such concerns were raised during early audit reports of Centrelink. For example, in the 2000 audit of Centrelink's planning, monitoring and costing arrangements, the audit office noted that:

> Centrelink will require ready access to more robust management information, particularly on cost, to support its managers to implement and evaluate major business initiatives and to use to set prices with its purchasers. In an environment of continuing funding constraints, Centrelink will also need reliable management information to provide an assurance to Government and client departments that it has the capacity to maintain timely, quality and cost effective service delivery. (ANAO 2000b, p. 13)

In later reports the information gathering mechanisms of Centrelink do not appear to have progressed. In commenting on the costs involved in the value creation workshops, the audit report notes that most area and service centre managers were unable to provide figures, or even a "guesstimate", for the expenses involved in the program (ANAO 2005d, p. 18). Similarly, the 2005 audit of Centrelink's complaints handling system notes the absence "of performance information prevents Centrelink from providing a more robust assessment of its complaints handling system, such as its effectiveness, value for money and the impact it has had in improving Centrelink service delivery" (ANAO 2005a, p. 73).

The ANAO also undertakes follow-up audit activity to determine whether the recommendations in previous audit reports have been actioned. In the case of Centrelink, follow-up audit activity has found the issues related to identifying Centrelink's costing of activities, and therefore assessments of efficiency, remain unresolved. For example, in 2002 the audit office undertook a follow-up audit of Centrelink's costing arrangements (ANAO 2002a) and concluded that Centrelink's activity based costing model did not incorporate the key features of an effective costing system and the implementation of the

system was lacking key components such as an effective change management plan and a structured project management approach.

The ANAO recognises that significant government funding is provided for Centrelink's operations and proposes an audit into the costing of Centrelink's operational activities and services (ANAO 2006b, p. 75). Whilst the proposed audit is not a follow-up of the 2002 Centrelink costings investigation, the audit would consider whether Centrelink has implemented an effective approach to the costings of its operations, enabling efficiency audits to be undertaken.

The audit activity of the ANAO has been unable to determine the efficiency of Centrelink's operations and, as such, the ANAO is unable to contribute useful comments on Centrelink's efficiency. Despite continued pressure from the ANAO, Centrelink's progress in providing greater clarity for the costs of delivering their products and services remains obscure. Given this, it is difficult to see how the government is able to conclude that Centrelink has improved efficiency. Moreover, the lack of Centrelink's costing information questions the operation of the purchaser-provider relationships that the Centrelink design was based upon and that presupposes the purchase of services at known levels of expenditure. The consequence of the costing uncertainty for a monopoly provider engaged in delivering services to a single purchaser is the difficulty in knowing if value for money is being delivered. As the former head of DSS has stated:

> DSS and Centrelink are effectively captives of each other. We (DSS) have little choice but to buy from you (Centrelink) at whatever is the lowest cost you can achieve, and you have little choice but to deliver something to us at the highest price we are able to pay. An implication of this mutual dependency is that DSS, as your main purchaser, is the main beneficiary or loser from better or worse cost control by Centrelink. (Rosalky 1998, p. 3)

Independent assessments

Independent commentaries on the efficiency of the Centrelink arrangements have either not been undertaken or the results of such analysis are not published. It is more common

for studies of Centrelink to examine the accountability relationships that operate at the political and managerial levels (Mulgan 2002), the ambiguous aspects of the purchaser-provider model through which Centrelink is designed to operate (Halligan 2004) or Centrelink's role in supporting active social welfare policies (McDonald and Marston 2006; McDonald, Marston and Buckley 2003; Raper 1999, Schooneveldt 2004; Ziguras, Dufty and Considine 2003).

Articles about the establishment of Centrelink generally comment on the efficiencies the government expected to obtain (Briggs and Fisher 1996; Scott, E. 1999; Rowlands 1999), but as these articles were written close to, or before, the commencement of the agency, no assessments of efficiency are undertaken. In keeping with the emphasis placed upon the objective of efficiency, Rowlands (2000), in an article that explores the issues involved in evaluating the Centrelink arrangements, comments that "any serious evaluation of the Centrelink arrangements will take efficiency and effectiveness as its point of origin" (p. 79). As such, it is surprising the efficiency outcomes of Centrelink have not been subject to greater independent scrutiny.

Independent assessments that comment on Centrelink's efficiency generally do so within a broader framework of investigation. For example, McDonald's and Marston's (2006) study of the changing role of social workers in Centrelink and their capacity to exercise discretion in the implementation of welfare-to-work policies, briefly comments that the "real efficiencies made by Centrelink have been through the extensive deployment of information and communication technologies" (p. 174). McDonald and Marston consider Centrelink's efficiencies are related to new work processes, which constrain the discretion of front-line staff, and the use of computer-driven procedures, that limits the involvement of recipients to obtain the optimum levels of throughput. However, the study does not offer quantification of any such efficiencies and the authors do not define whether their use of efficiency is related to the overall operations of Centrelink or is confined to the productive efficiency of front-line staff.

In contrast, another study by a former Centrelink employee, Rod Whyte (2005), in a position of "authority" (p. 5) and with access to "some of the most sensitive and detailed information one could *ever* have on Centrelink's performance" (p. 5) argues that Centrelink's front-line performance is declining rapidly and that "considerable amounts of money are being lost from Commonwealth revenue through mismanagement" (p. 19). As an example, Whyte (2005, p. 66) examines Centrelink's ability to recover debts from beneficiaries and pensioners and calculates that over the six year period 1998-99 to 2003-04, debts totalling $2.28 billion remained outstanding and that performance for the recovery of payment debts were falling each year.

Combined, the independent studies by McDonald and Marston (2006) and Whyte (2005), provide an example of how efficiency measurements can differ depending on the viewpoints of the researchers. McDonald's and Marston's study relates efficiency gains to the number of customers that staff are able to process, whereas Whyte's analysis suggests that efficiency in performance is declining as indicated by the reduced capacity to recover debts.

The absence of in-depth assessments into the efficiency of Centrelink may reflect the methodological difficulties that are encountered in undertaking efficiency evaluations, such as the lack of access to administrative data. Alternatively, the lack of efficiency assessments may indicate that for the majority of researchers Centrelink remains an integral part of the public sector and there is little to substantively distinguish the organisation from the extensive bureaucratic network that operated previously.

Job Network

Internal Assessments

For the Job Network, three major internal assessments were conducted by the employment department in the years 2000, 2001 and 2002. These three internal assessments published by the employment department focus on the four criteria of equity, quality, efficiency and effectiveness, although each evaluation considers specific aspects

of the Job Network. Each internal assessment examines areas of cost efficiency, generally calculated as cost-per-participant (unit cost) or incorporates a component of effectiveness into the measure by indicating the cost-per-outcome or cost-per-net impact of assistance. However, the analysis often relies upon data that is not available for replication of the results and other published data produces contrary findings. For example, the first report concludes that job search training delivers assistance at about two-thirds the cost of job clubs[12]. The first evaluation report (DEWRSB 2000c, p. 67) indicates the unit cost for job search training amounted to $418 compared to $625 for the job clubs program. However, the first report also indicates that an estimated $60 million was allocated to job search training and that the program involved a total contracted capacity of 128,300 places (DEWRSB 2000c, p. 59). Using these figures, the unit cost of job search training amounts to $467, not the $418 mentioned in the report. Furthermore, the first report also indicates that job search training providers were operating at 74 per cent of their contracted number and that the introduction of an accelerated referral system from March 1999 had resulted in only a negligible effect on the level of commencements (DEWRSB 2000c, p. 59). Recalculating the unit cost of job search training, based on 74 per cent of the 128,300 total contracted capacity, results in a unit cost of $632. The lack of clarity relating to how figures were calculated, such as the $418 per job search training participant, limits independent assessments of the internal reviews.

In addition to cost efficiency, inconsistencies are also found in comments about the effectiveness of job search training compared to job clubs. The first evaluation report notes that job search training participants "had an overall positive outcome level of 46 per cent compared to 30 per cent for job clubs in 1995–96" (DEWRSB 2000c, p. 66). However, the 30 per cent quoted for job clubs compares with data in the employment department's 1995-96 annual report that indicates the percentage of participants who had found unsubsidised employment or commenced education or training three months after participating in the job clubs program was 43.8 per cent (DEETYA 1996a, p.124).

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[12] Job clubs were managed by the CES and provided similar assistance to the job search training program the Job Network delivers.

In the first and second internal assessments of the Job Network, the employment department acknowledges that development of the Job Network market was in its early stages and assessments of the efficiency of the arrangements had received limited coverage. In contrast, the third evaluation of the Job Network sought to undertake an analysis that combined the costs of assistance with employment outcomes to assess the cost-effectiveness of the Job Network. While evaluations of the program outcomes for the Job Network are outside the scope of this thesis, the third report notes that substantial efficiency gains took place by combining the staff resources and office networks within Centrelink. However, the report neglects to mention if the costs involved in creating the competitive market that is the Job Network, or the costs of the contractual processes that maintain the outsourcing arrangements, have been taken into account. In addition, in contrast to the department's conclusion, the previously mentioned evaluation of Centrelink by the Boston Consulting Group noted the efficiencies resulting from "merger synergies" were not significant (2002, p. 19).

While assessments of the Job Network in the first and second departmental reports concentrate on the outcomes for individual participants in programs, the third report discusses the macroeconomic impacts of the Job Network on the economy and labour market as a whole. This aspect of the Job Network concerns the role of employment services in improving labour market efficiencies, which deals with issues such as the impact of long-term unemployment, the speed that vacancies are filled and the allocation of employment opportunities. The third report recognises that a multitude of factors can influence change in the wider environment and this makes it difficult to isolate the performance of the Job Network. For example, the report acknowledges the reform was introduced during a period of "relatively robust economic and employment growth" (DEWR 2002b, p. 134). This compares to the economic environment of the early 1990s when an economic recession and a rise in unemployment, particularly long-term unemployment, set the scene for the employment programs introduced under the Labor

government's *Working Nation*[13] initiative. Accounting for the impacts of these wider environmental influences on the operation of the Job Network compared to the previous programs remains a concern for most researchers.

Australian National Audit Office

In the case of the Job Network, investigation by the ANAO is limited to the operations of the employment department in its role as the purchaser of employment services. In relation to Job Network providers, their operations as private agencies are beyond the scope of the audit office. In recognising the accountability risks of outsourcing, a former Australian Auditor-General has commented that the introduction of the commercial sector into the arena of government service delivery should not provide the avenue for non-disclosure of publicly-funded services (Barrett 1999). However, the non-disclosure of costing data and the degree of protection that Job Network members have from independent scrutiny are features of the Job Network. For instance, in the course of Senate Committee proceedings, the then Secretary of the employment department, Dr Shergold, commented that the price for which Job Network services are tendered is commercial-in-confidence (Senate Employment, Workplace Relations, Small Business and Education Committee 2001, p. 99). Such a lack of transparency in the arrangements that operate under new public management are raised by those who comment generally on matters of public administration (Barton 2003; Dobel 2001; Mulgan 2001; Pollitt and Bouckaert 2000) and are discussed specifically in the case of the Job Network (Chalmers and Davis 2001; Eardley 2002a; Finn 2001; Struyven and Steurs 2005). The implications of a lack of transparency for matters involving public accountability are disturbing and range from mismanagement through to dishonest behaviours.

Access to specific cost data at the level of individual providers would facilitate an analysis of efficiency at the micro-level, rather than the more limited analysis afforded by aggregate figures that combine providers operating efficiently with those operating

[13] Announced in May 1994, the *Working Nation* measure was a major initiative of the Keating government. Responding to the high levels of unemployment in the early 1990s, the *Working Nation* measure significantly boosted the funding for labour market programs.

inefficiently. In part, the need for such data is lessened by changes introduced as part of the evolution of the Job Network where, in the third employment services contract, competitive price tendering for Job Network services was replaced by set administrative prices. This feature improves the financial transparency of the arrangements, but acknowledges the problems arising in a competitive price tendering approach, such as agencies bidding too low in order to gain a contract, then not being able to deliver the services. It also questions a fundamental design feature of the Job Network that promoted competitive price tendering as a means to provide an incentive for efficient operations.

The audit office report of the implementation of the third employment services contract notes the department had re-established an indicator to enable it to assess the efficiency of the Job Network (ANAO 2005f, p. 130). This indicator is an aggregate measure that provides the current average cost per employment outcome, defined as job seekers employed or studying three months after leaving Job Network assistance. The ANAO notes that this efficiency measure includes outcomes that are attributable to external factors, such as economic trends, or are due to the sole efforts of job seekers, and that performance reporting would be more transparent if the inclusion of these externalities were made explicit.

Productivity Commission

A detailed review of the Job Network arrangements was undertaken by the Productivity Commission during 2001 and 2002. The Productivity Commission was established in 1998 and replaced three separate bodies that had been responsible for providing independent research, advice and policy review on the industry and economic sectors. Today, the Productivity Commission provides the Australian Government with key review and advisory functions on microeconomic policy and regulation. Although the Commission offers independent assessments, the enquiries it conducts are in accordance with terms of reference provided by the government and, accordingly, controversial areas of public policy may be excluded from the Commission's consideration. The

independence of inquiries undertaken by the Productivity Commission has also been questioned (Brown and Uhr 2004; Freedman and Stonecash 1997, Rowland 2003).

In the case of the Commission's review of the Job Network, the terms of reference were broad. However, the approach of the Commission presents a distinctly neo-liberalist view of public sector management. For instance, whilst recognising the advantages of traditional forms of bureaucracy, such as economies of scale and strong accountability, the report also mentions the obstacles government monopolies may face in improving cost efficiency, including the lack of pressure from competitors, the inflexibilities of public service-wide practices, access to capital, risk aversion and capture by interest groups. In commenting directly on the evolution of industry policy and the views of the Productivity Commission, Freedman and Stonecash (1997, p. 180) note:

> The philosophy behind the agenda is that efficiency in allocation and gains in productivity can only be obtained if government lessens its role in the allocation process. The Productivity Commission makes its view clear:
>
> > Australia's productivity performance has been handicapped by government policies and practices over many years that have weakened or distorted incentives to be cost-conscious, innovative and productive ...

It is predictable, therefore, that the Productivity Commission concluded the Job Network's purchaser-provider model constituted an appropriate policy framework for the delivery of employment services. As noted by Eardley (2002a), "the Productivity Commission has, perhaps not surprisingly, opted in favour of greater competition and a purer market-base solution" (p. 5).

The government was generally pleased with the outcome of the review and in response announced:

> The report has found the Job Network's purchaser-provider model, with its focus on outcomes, competition and choice "is a suitable policy framework for the delivery of active labour market programs" and notes that "competition between providers and the use of outcome payments have created incentives for improved efficiency and

> better outcomes". (Joint Media Release of Mal Brough and Senator Ian Campbell, 20 September 2002)

However, Burgess observes the conditions outlined by the Productivity Commission, as suitable for the application of a purchaser-provider model, are equally suitable for the model of monopoly provision by government (Burgess 2003, p. 233). Moreover, the Productivity Commission also qualified the operation of the purchaser-provider model by indicating that it was only as effective as the regulatory framework in which it operated and that a number of aspects of the system, such as job seekers' choice of provider, the targeting of assistance and the structure of financial incentives, required reform.

The support by the Productivity Commission of the efficiency, flexibility and innovation of the market system, as compared to their concerns about budget maximisation, rigidities and dysfunctional incentives within the public sector, also highlights one of the perplexing contradictions of new public management – the belief that public bureaucracies can transform from inefficient, outmoded deliverers of government services into successful developers, implementers and managers of complex contractual arrangements (Rainey and Steinbauer 1999).

Although concentrating on the employment outcomes, the Productivity Commission comment on the efficiency of the Job Network using data produced by the employment department. The departmental submission to the Commission provided data on the unit costs of providing assistance, costs per outcome and costs per program net impact. However, the Productivity Commission express caution about the data provided by the department, noting that:

> there is much uncertainty surrounding the measurement of outcomes because of the methodology used, including the problems of constructing a meaningful control group. The main implication to be drawn from this is that DEWR's measures of outcomes are best seen as estimates with a wide margin of error. (p. 5.23)

Although the Commission's report acknowledges the aggregate cost of labour market programs fell by around half in the initial few years of the Job Network's operations, and with little change in the unemployment levels, this suggests a high degree of cost effectiveness, "it could also be the result of the imprecision with which the small impacts of labour market programs are measured" (Productivity Commission 2002, p. 5.24). Overall the report by the Productivity Commission is a strong reflection of research conclusions that support the political and ideological positions of the researchers.

Organisation for Economic Cooperation and Development

A major assessment of the Job Network has also been undertaken by the Organisation for Economic Cooperation and Development (OECD) (2001). This assessment covers the design and operation of the Job Network, including arrangements involving payments to unemployed people and the industrial relations setting. Overall the OECD was supportive of the Job Network design, but this finding is not surprising given the support by the OECD of countries experimenting with contestability in the delivery of their public employment programs (Dawkins 2002, p. 86). Quiggin (2002) is also cautious about the findings of the OECD's assessment, indicating the study "effectively reproduced" (p.98) the third major evaluation undertaken by the department, recognising that assessments of the OECD are heavily reliant on information supplied by governments. In a similar vein, Boyne (2003a, p. 372) excludes studies published by the OECD from his review of empirical studies into the service performance of public service providers. Boyne's preference is to confine his examination to journal articles on the basis that such publications undergo review by colleagues.

Independent assessments

An extensive collection of publications and conference papers are available that assess the Job Network. As with the independent assessments of Centrelink, these articles often examine a particular issue, although many issues intersect and are combined in the research undertaken.

The efficiency or otherwise of the Job Network is secondary to the more common concern of the impact of the Job Network on disadvantaged groups, comprising the long term unemployed, youth, mature aged, Indigenous, disabled and those with specific problems such as drug dependency and homelessness (Bruttel 2004, Eardley, Abelló and McDonald 2001; Kerr, Carson and Goddard 2002). Articles assessing the impact of the Job Network on disadvantaged groups closely overlap with discussions about the equity of the Job Network and explore aspects such as the operation of the incentive system (Dockery and Stromback 2001; Quiggin 2002), the job seeker classification instrument (McDonald, Marston and Buckley 2003) and specific labour market programs (Borland and Tseng 2004; Nevile and Nevile 2003b; Ziguras, Dufty and Considine 2003).

Other researchers consider the market structure of the Job Network and explore the extent that a genuine market framework is achieved, or possible, (Burgess 2003; Eardley 2003b; Quiggin 2002; Struyven and Steurs 2005), the impacts on specific providers such as the non-profit sector (Abelló and MacDonald 2002; Considine 2003; Eardley 2002b; Ramia and Carney 2003) or more generally whether the Job Network is achieving its objectives (Cowling and Mitchell 2003; Dockery 1999; Kelly, Lewis, Mulvey, Norris, Dockery 1999). An additional area of investigation explores the operation of the Job Network within an economic framework and its role in the operation of the labour market (Burtless 2002b). A further area of examination is concerned with the operation of micro-relationships that develop between providers and the unemployed (Bigby and Files 2003) or between the unemployed and the members of society at large (Marston and McDonald 2003).

Of interest in the context of this paper are independent assessments that consider the performance of the Job Network. The majority of such assessments examine the employment outcomes of the Job Network and often compare these outcomes to those achieved by the *Working Nation* programs that preceded the Job Network. Different methodologies and data sources often lead to diverse results, although general agreement may be found in the suggestion that, consistent with overseas experience, "only relatively

small net employment gains are to be had from labour market programs" (Eardley 2003b, p. 9).

In determining the impact of the Job Network on employment outcomes a discussion of costs is often included and overall conclusions related to the cost effectiveness of the Job Network are provided. The general finding is that because significant cost savings have been made and the employment outcomes from labour market programs are substantially the same as those obtained through the *Working Nation* initiative, the Job Network has provided a cost-effective solution. However, the decline in labour market program expenses resulted from substantial cuts made prior to the introduction of the Job Network. As Dockery (1999) indicates in his early analysis of the Job Network, "nearly all this decline in the level of spending had been set in place through the reduction and streamlining of labour market programs before the Job Network came into effect" (p. 20). It is also difficult to credit the Job Network with responsibility for improved labour market outcomes given the substantial growth in the economy and the availability of jobs since the establishment of the Job Network. This broader aspect of the Job Network's operating environment has been recognised by those who comment that a full economic cycle needs to be completed before conclusions about the success of the Job Network can be ascertained (Dockery 1999; Junankar and Kapuscinski 1997; Kelly, Lewis, Mulvey, Norris and Dockery 1999; Productivity Commission 2002).

The main *Working Nation* programs affected by cost reductions were those dealing with subsidised employment and training for the long term unemployed or those at risk of becoming so. This explains the preoccupation of many researchers about the equity outcomes of the Job Network. For example, in an early analysis of the Job Network, Webster and Harding (2000, p. 31) forecast that intensive assistance, the support available under the Job Network for disadvantaged job seekers, would be less successful than comparable *Working Nation* programs given the reduced Job Network expenditure. However, research contributing to the second departmental evaluation (DEWRSB 2001e) concluded assistance to disadvantaged job seekers cost less than the previous arrangements, reflecting the greater efficiency of the Job Network. In this regard, the

second departmental evaluation notes that "cost-per-job of intensive assistance is lower than the equivalent costs of most of the major labour market programs operating in 1995-96 that it replaced—more than $5000 less" indicating that "the available data on unit costs and net impact indicate that Job Network appears to be delivering better value for money than the previous labour market assistance arrangements" (DEWRSB 2001e, pp. 65 – 66). Subsequent assessments have queried the department's findings and suggest the intensive assistance program for disadvantaged job seekers appears "substantially more expensive per net employment gain" (Eardley 2003b, p. 9).

Independent assessors may also emphasise the importance of factoring into evaluations of the Job Network the indirect, less obvious or misplaced expenses. Some of these indirect costs include:

- increased expenses for State governments as costs are shifted as a result of the reduced Commonwealth expenditure available for labour market programs (Eardley, Abelló and MacDonald 2001, Kelly, Lewis, Mulvey, Norris, Dockery 1999);
- a change in the operation of community and non-profit organisations, such as the loss of their advocacy role, as these groups become entwined in the competitive environment of the Job Network (Considine 2003, Ramia and Carney 2003); and
- the impact of expenditure cuts on wages and the lowering of working conditions for those who are employed in the Job Network system (Abelló and MacDonald 2002; Australian Council of Social Services 2001; Jobs Australia and Brotherhood of St Laurence 2005; Patton and Goddard 2003).

The design of the Job Network may also impact negatively from a 'market efficiency' perspective (Considine and Finn 2004). For example, the incentives operating under the contract approach of the Job Network may lead to 'creaming', where investments are directed towards job seekers who would succeed in obtaining employment without Job Network intervention, or 'parking', in which disadvantaged job seekers are not given assistance because it is believed their chances of employment are slim. Researchers have also raised the issue of cross-subsidisation, where funds for disadvantaged job seekers are

redirected towards the underfunded job matching services, again providing assistance for job seekers most likely to obtain their own employment and further reducing the funding available for disadvantaged job seekers (Dawkins 2002, McNally 2003, OECD 2001).

An area likely to produce greater efficiencies, but more removed from public enquiry and less common to the main concerns of independent assessors is the internal working practices of Job Network members. Consideration of internal organisational processes is supported by Boyne's (2003a) study on the determinants of public service improvement. In this research, Boyne (2003a) concludes that a consistent influence on performance is the impact of management variables and that other aspects, such as organisational structure, size, market arrangements and the regulatory environment, are not significant. However, in the case of the Job Network, investigating the internal operations of providers is limited by the competitive market structure that gives providers commercial-in-confidence protection and negates the sharing of best practice information given the competitive advantage that providers would lose in doing so. The second evaluation report of the department (DEWRSB 2001e) provided discussion on an internal study that compared the service strategies of top-performing providers with bottom-performing providers. In relation to this study, the OECD (2001) felt that "more detailed research and more precise documentation of the services provided by the top-performing providers would be helpful" (p. 223). Similarly, the Productivity Commission (2002) suggests greater information should be available on the "black box" of providers' processes to determine the most successful approaches (p. 3.16).

Overall, independent assessments of the Job Network are closely linked to employment outcomes, particularly in the case of disadvantaged job seekers. However, the absence of administrative data is a key weakness that makes in-depth assessments into the efficiency of the Job Network difficult, particularly as it relates to the internal management processes of providers.

Summary

With a view to exploring efficiency evaluations of the Centrelink and the Job Network, this section examined a wide cross-section of the literature that comments on the arrangements. Except for the Centrelink efficiency evaluation by the Boston Consulting Group, little in the way of dedicated efficiency research appears to have been undertaken, although the ANAO discuss this aspect in the context of insufficient data.

In line with Pollitt's (1998, p. 53) observation, much of the literature applies the term efficiency without a meaning attached to its use and robust methods are not applied in determining the efficiency outcomes of an arrangement. The absence of meaning or methodology is particularly prevalent in political statements or material provided by Centrelink and the employment department, where the efficiency of the new arrangement is presented as a statement of fact to be accepted on faith by the readers. Furthermore, little raw data is provided by the organisations to enable broad claims of efficiency to be confirmed by independent research. This echoes the common concerns of evaluators that includes the inability to obtain data and a lack of confidence in the data presented (ANAO 2000b, 2002a, 2003b, 2004 and 2005a; Bruttel 2004, Dockery and Stromback 2001; Eardley 2002b and 2003b; Nevile and Nevile 2003b; Productivity Commission 2002; Webster and Harding 2000). At the same time, access to reliable data does not overcome the impact of other variables such as economic cycles, political imperatives or technological changes that have implications for research into efficiency and would strongly impact on the efficiency outcomes of Centrelink and the Job Network.

It is common for assessments, particularly of the Job Network, to consider the cost-effectiveness of the arrangements and conclude that value for money has been obtained through the reduction of expenditure on employment programs combined with little change in the employment outcomes achieved. However, the reduction in program expenditure took place prior to the introduction of the Job Network, indicating the reformed arrangement was not a factor in reducing expenditure. Little analysis is available related to efficiency assessments of Job Network members or the department's contract management role in this. Likewise, studies of the administrative efficiencies of

Centrelink, or the oversight of Centrelink by the social security department and how the purchaser-provider relationship operates in this context, are lacking. The absence of such studies is a reflection of the lack of meaningful data and perhaps a strong interest among researchers of the equity implications of the new arrangements.

In terms of analysing the findings of evaluations of Centrelink and the Job Network, it is important to take into account the origin of any research and consequently the vested interests that may be involved with the outcomes. As with any evaluation, the findings should be supported by reliable data, incorporating sound methodologies and the capacity to replicate the research and therefore verify any conclusions. It would appear that not all efficiency evaluations of Centrelink and the Job Network provide such assurances and, in these cases, the findings need to be treated cautiously.

Conclusion

Initially, this chapter explored the meaning of efficiency, which was shown to be highly specific in an economic context. From a public management perspective the term is often not explicitly defined, but given the environment of fiscal restraint, efficiency in public sector reform is strongly associated with the relationship between inputs and outputs. This relationship generally means minimising costs while achieving the same output, but can also include producing a greater output with the same level of inputs.

The chapter proceeded to explore the ways that other studies have assessed the efficiency of Centrelink and the Job Network. Except for an efficiency assessment of Centrelink undertaken by consultants in 2002, it does not appear the arrangements have been closely scrutinised for their cost efficiency impacts. In the case of Centrelink, the ANAO has commented on the inability to assess cost efficiency because of the lack of cost-related performance information. In relation to the Job Network, efficiency analysis has been closely linked to effectiveness, as measured by employment outcomes, reflecting the concerns of researchers for disadvantaged job seekers and the role of employment services in addressing labour market inequities. A common difficulty, as identified with

other studies into public sector reform, is the access to suitable data. For the Job Network, obtaining data on costs is made difficult by the private sector status of employment service providers and the protection afforded them under commercial-in-confidence provisions.

The data used in this efficiency evaluation is derived from the organisations' annual reports and financial statements. These documents provide a picture of the departmental and administered costs pertaining to the programs delivered over the evaluation period and offer a high level of reliability. The evaluation does not seek to ascertain the variables that are responsible for any efficiency outcomes that are observed in the Centrelink and Job Network arrangement. Rather, the results of this evaluation are more modest, but perhaps more achievable. This thesis seeks to determine whether there are indications that cost efficiency has improved since Centrelink and the Job Network replaced the previous delivery structure and the following four chapters analyse the data provided in the annual reports and financial statements to establish this.

Chapter 5: Efficiency – the overall costs

The purpose of this chapter and the following three chapters is to evaluate whether the broad claims about the improved efficiency of Centrelink and the Job Network are supported or not. Initially, this chapter presents a broad picture of the total costs that relate to the provision of income support and employment services. These programs, provided by DSS and the Department of Employment, Education and Training (DEET) in 1993-94, are tracked through to 2003-04, regardless of the department or agency that manages or delivers them. In this way, a broad picture is developed that provides the costs of programs related to the services delivered by Centrelink and the Job Network.

Following the presentation of the broad picture, the chapter then proceeds to limit the analysis to those services provided specifically to job seekers. That is, for the payment of income support, the costs are restricted to unemployment payments. This isolates the investigation to those services related directly to the employment service reforms to determine if cost efficiencies are apparent at this specific level of service delivery. The analysis in this chapter also scrutinises the staffing levels involved in the delivery of services given the substantial component of operational expenditure involved in staffing.

The figures provided display both the administered and departmental costs. The administered costs are useful in providing an indication of the amount of program dollars

the organisations manage, while the departmental costs comprise the operational expenses. In two of the chapters that follow, the efficiency evaluation will focus on Centrelink and the Job Network separately, with the analysis delving into the program level and taking the number of customers into account. Then, a chapter examining the cross-sectional efficiency assessment of Centrelink and DVA will conclude the efficiency evaluation.

The overall picture

The following chart tracks the total costs related to the provision of income support payments and employment services over the period 1993-94 to 2003-04. Payments related to Abstudy are excluded from the figures because this payment was removed from the employment portfolio when a restructure formed a separate education department. In the case of income support programs, the costs related to housing, child care assistance, child support and family relationships are excluded from the analysis because the location of these programs over the evaluation period have not consistently been located in the social security portfolio. The expenses related to Centrelink and the Job Network are included as costs incurred by the purchasing departments.

Chart 5.1: Overall costs of income support and employment programs, 1993-94 to 2003-04

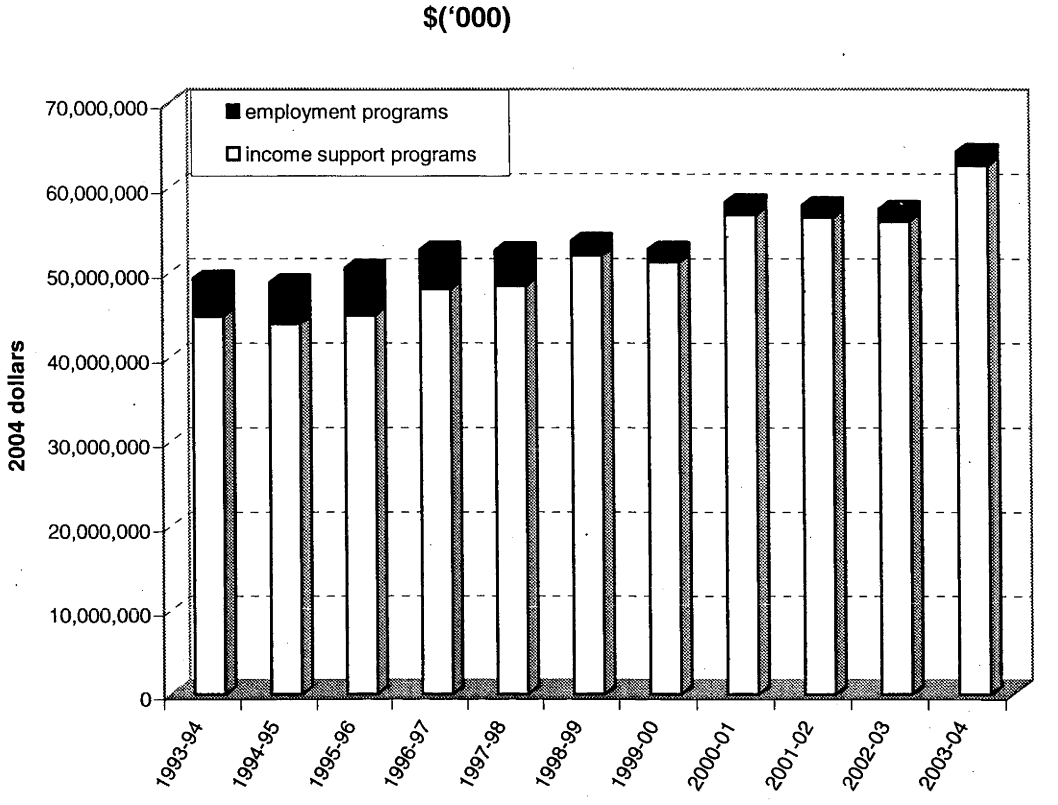


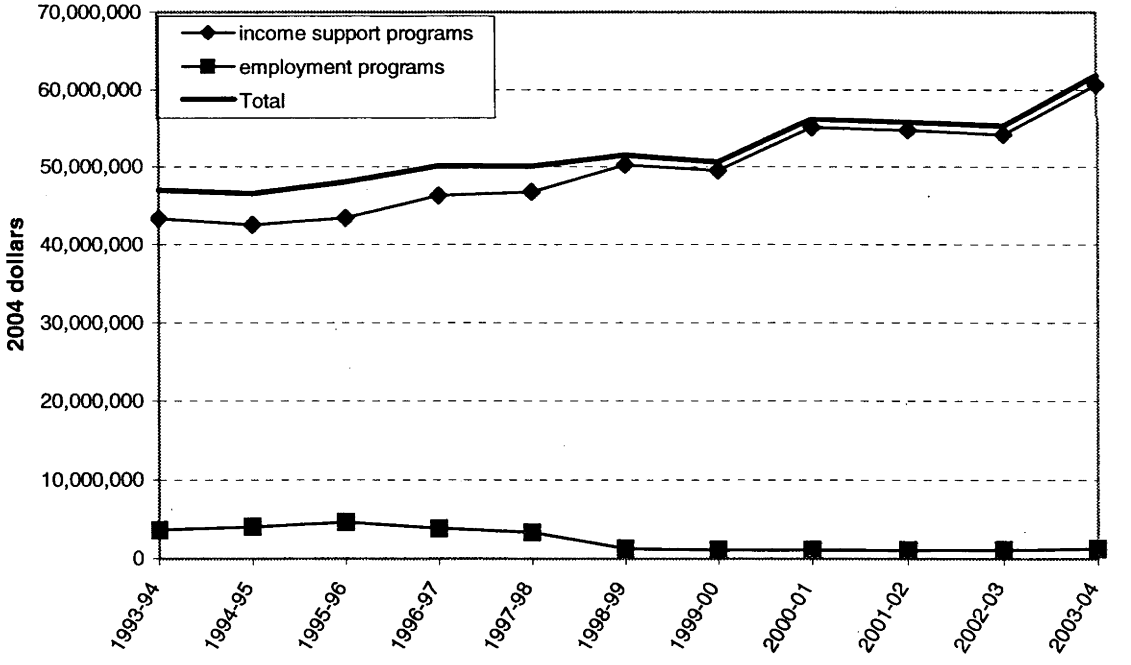
Chart 5.1 indicates the overall costs of the income support and employment programs have risen substantially in real terms by $15 billion dollars – from $49.3 billion to $64.3 billion. Chart 5.1 also reveals that responsibility for the overall increase in real costs is due to social security programs, with a decline in the costs associated with employment programs. The total expenses related to income support programs have risen in real terms from $44.8 billion to $62.7 billion. In contrast, total expenditure related to employment services programs has declined from $4.4 billion to $1.6 billion. A partial explanation for the increase in the cost of income support programs and the decline for employment programs is that responsibility for support programs for youth were transferred from the DEETYA portfolio to DSS in July 1998. This transfer of functions between the two portfolios involved costs in excess of $2 billion. However, this transfer is the only major program shift and does not provide a complete explanation of the increase in costs for income support programs. Further insights may be gained by

separating the programs into their administered and departmental costs, as this will indicate whether the increases have taken place in the costs of the programs or with the management surrounding the programs.

Chart 5.2 provides a picture of the administered costs and indicates an almost continual increase in the real costs of social security programs. The sharper increases for income support programs in 2000-01 and 2003-04 reflects the more generous income tests introduced with the tax reform measures in July 2000 and an expansion in pensioner customers in 2003-04. For employment programs, the chart shows a decline after 1995-96 that continues until the commencement of the Job Network in 1998-99, followed by a flattening out of program expenses.

Chart 5.2: Administered costs of income support and employment programs, excluding education funding, 1993-94 to 2003-04

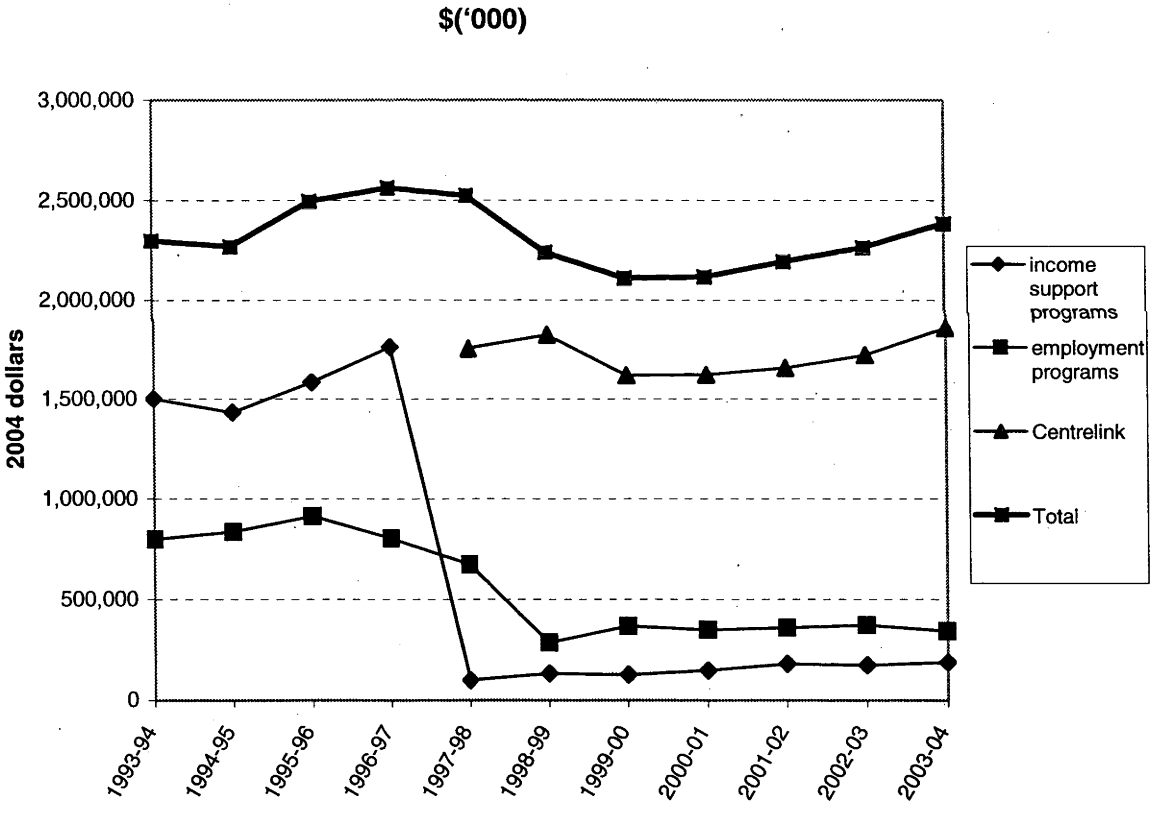
$('000)



The following chart plots the departmental expenses for income support and employment programs. The chart reflects the establishment of Centrelink in 1997-98 and shows a

shift in this financial year of departmental expenses from income support programs to Centrelink. Chart 5.3 shows the total costs of managing income support and employment programs rose in real terms over the entire period only slightly, by around $86 million. This amount comprises around $542 million of increases in the income support programs, that combines the costs related to the social security department and Centrelink, and a decline of around $456 million in departmental costs for employment programs. In the case of employment programs, this decline in departmental expenses took place over the period 1995-96 to 1998-99, with costs remaining stable since the establishment of the Job Network.

Chart 5.3: Departmental costs of income support and employment programs, 1993-94 to 2003-04



A further refinement of the analysis that limits costs to those programs providing assistance to job seekers may be helpful. At the broader level of inquiry, as reflected in charts 5.2 and 5.3, the administered and departmental costs involved in providing

assistance to unemployed people are hidden by the high levels of expenditure that relate to providing and managing the multitude of social security programs. While Chapter 6 will examine the efficiency of delivering social security programs, the following analysis considers the costs related to services for unemployed people. This analysis may shed light on whether improvements in efficiency are evident since the establishment of Centrelink and the Job Network in the areas of delivery related specifically to employment services.

Income support for job seekers and employment programs

This refinement of the costs associated with social security and employment programs is aimed at reducing the components of the organisations to those activities dealing specifically with job seekers. In the case of employment services, the DEET employment program from 1993-94 is straightforward to identify despite the department's numerous transformations up to 2003-04. In the case of services to the unemployed by the social security department, costs are isolated for only those income support payments that required beneficiaries to actively seek employment during the period 1993-94 to 2003-04. This involves identifying costs at the payment level because payments forming part of the labour market assistance program during this time included passive income support that required no active job search, such as parenting payment and partner allowance. As departmental costs according to payment type are not stated in later annual reports, an assumption is made these costs are in a similar proportion to the administered costs, that are broken down to the payment level in the annual reports. For example, in the 2003-04 annual report for the social security portfolio, Newstart allowance comprises administered funds amounting to 37.8 per cent of the total administered costs of the labour market assistance program. By applying the same proportion to departmental costs, it is calculated the costs of managing and delivering the Newstart allowance is $19.48 million for the department (37.8 per cent of the $51.52 million identified as departmental costs for the labour market assistance program) and $262.75 million for Centrelink (37.8 per cent of the $695.1 million that comprises Centrelink's costs for delivering labour market assistance).

In recognition that costs are strongly linked to outputs, chart 5.4 includes the number of people in receipt of an unemployment payment at 30 June each year. The number of unemployment payment recipients provides only a crude measure of the total number of people assisted by employment services or receiving an unemployment payment during the course of a financial year. That is, the number of allowees plotted in chart 5.4 represents a static measurement of the stock of unemployment payment recipients at a particular point in time, rather than the flow of people who, over time, move from being employed, unemployed or not in the labour force during the course of a year.

In addition, while the Job Network was initially established to provide services only to income support recipients, Job Network providers encountered early problems with inadequate numbers of clients. In response the government introduced a substantial reform package eight months after the Job Network commenced to enable providers to receive outcome payments for assistance to job seekers not receiving an income support payment. Accordingly, the number of people seeking employment assistance, would be greater than the number of unemployment beneficiaries shown in chart 5.4. However, the trend in declining numbers of unemployment payment recipients is likely to apply to the overall flow of people through the system. Chart 5.4 combines the departmental costs of income support and employment programs because the scale used in the chart would make such a distinction difficult to observe. Administered costs are shown separately for employment programs and income support for the unemployed.

Chart 5.4: Cost of income support for job seekers, employment programs and number of unemployment payment recipients, 1993-94 to 2003-04

$('000)

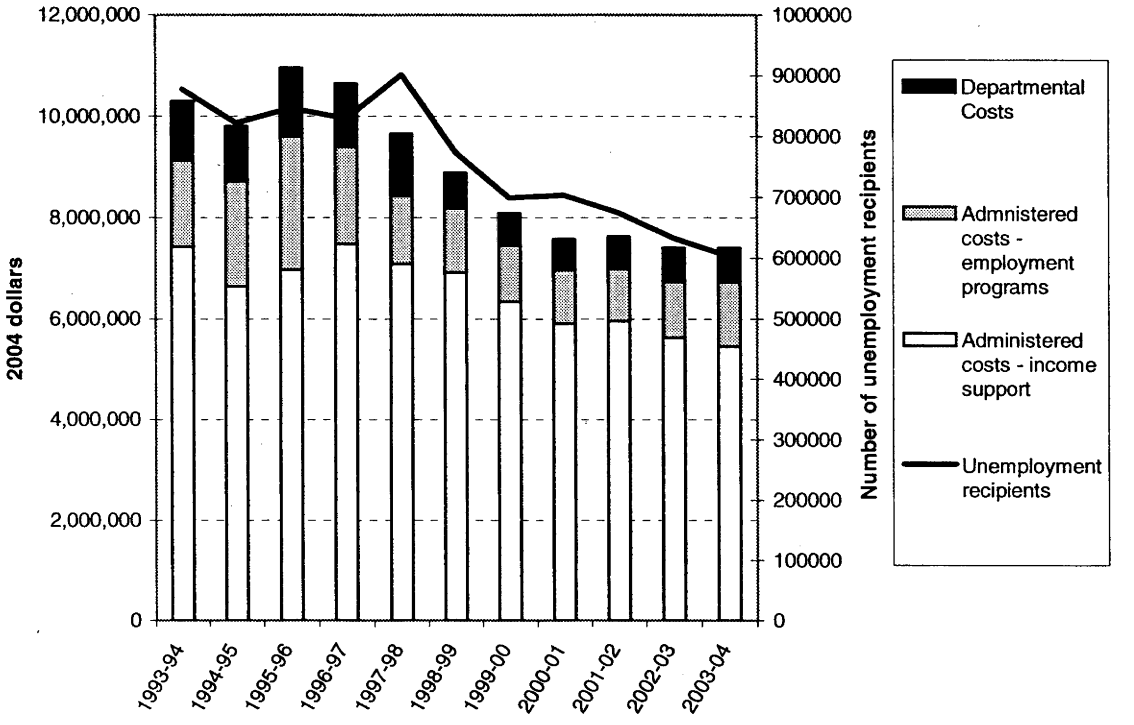


Chart 5.4 shows the administered cost of providing employment services and income support to unemployed people peaked in 1995-96 and this is mostly due to the increased expenditure surrounding the *Working Nation* employment programs. Following 1995-96, a decline in administered costs commences. However, in 1996-97, the decline in administered expenses results from a reduction in expenditure for employment programs, whereas the income support component is greater in 1996-97 than in the previous financial year. Following 1997-98, much of the decline in administered costs occurs within the income support component, reflecting improved employment levels over this period flowing through to lower the expenditure on income support for the unemployed. At its highest level in 1996-97, income support for the unemployed amounted to $7.5 billion, compared to the lowest amount in 2003-04 of $5.5 billion. This represents a decline in administered costs of 36.4 per cent, compared to a 27.3 per cent reduction in the number of people receiving an unemployment payment over the same period. The

higher percentage decline in costs compared to recipients reflects the increase of unemployment payment recipients with access to casual employment and therefore earnings that reduce the level of income support received. The lack of a reduction in administered expenses for employment programs, whilst the number of unemployment beneficiaries has been reducing, suggests the new arrangements that comprise the Job Network are not operating efficiently. Such a conclusion is not straightforward and caution is required when linking the number of unemployed with the costs of delivering employment programs. For instance, as employment conditions improve, those remaining jobless may have greater levels of disadvantage that require higher levels of costly interventions. A more detailed examination of the efficiency of the Job Network is provided in Chapter 7.

In relation to departmental costs, chart 5.4 indicates these expenses have remained stable since 1998-99 despite the fall in the number of unemployed people. As with the costs associated with programs for the unemployed, a direct relationship between the number of unemployed and departmental expenses is not clearcut because numerous fixed costs remain, such as leasing and maintaining buildings. However, a stable level of departmental costs, while the level of people in receipt of an unemployment payment has reduced substantially, doesn't provide strong support for the achievement of cost efficiencies under the reformed arrangments.

Staffing

An aspect of expenditure that is variable because it is easily altered is the costs relating to staffing. Moreover, the costs of employing staff in service delivery organisations are a significant component of operational expenditures, so staffing levels warrant close attention. As an example of the costs related to staff, table 5.1 shows the total average staffing level in Centrelink, the costs in real terms and the percentage that employee expenses comprise of the total costs of Centrelink. The table also includes the total number of Centrelink customers at June each year. This table shows that changes in the

number of staff do not necessarily vary in the same proportion as changes in the number of customers.

Table 5.1: Centrelink staffing, 1997-98 to 2003-04

	Total staffing levels	Expenses for employees, 2004 dollars ('000)	Employee expenses as percentage of total costs	Number of customers (June)
1997-98	23,745	$1,341,416	63.94%	5,893,744
1998-99	22,329	$1,260,932	63.53%	6,178,111
1999-00	20,416	$1,136,626	58.88%	6,333,450
2000-01	21,086	$1,196,341	60.74%	6,549,914
2001-02	22,488	$1,251,882	62.82%	6,611,480
2002-03	24,115	$1,400,430	67.70%	6,631,695
2003-04	24,153	$1,408,542	65.33%	6,644,236

Table 5.1 converts the employee expenses into 2004 dollar values using the Wage Cost Index, rather than the Consumer Price Index. The Wage Cost Index is a measure of changes in wage and salary costs in the Australian labour market and it provides the most suitable basis for converting employee costs into comparable figures. Given the large component of operating costs that relate to employee expenses in Centrelink, and presumably the Job Network also, there is a strong argument for using the Wage Cost Index throughout this evaluation. However, the Wage Cost Index was compiled for the first time in 1997 and is unhelpful for an analysis that examines data back to 1993-94.

Table 5.1 confirms the substantial amounts involved in employee expenses. Except for the 1999-00 financial year, the expenses of Centrelink's employees are above 60 per cent of the total operating costs and in 2002-03 the employee expenses total 67.7 per cent of the total costs of Centrelink.

Tracking the staffing levels of the organisations involved in the reform may reveal whether efficiencies related to staff processes have taken place. However, determining the staff numbers involved is not straightforward and only a cautious estimate can be determined. The following provides a description of the process leading to the staffing figures that are estimated in tables 5.2 and 5.3.

For the staffing involved with the payment of income support, the annual reports of the social security department generally provide specific staffing information for each payment type until the 1998-99 annual report. Accordingly, the data in early annual reports enables accurate staff numbers to be collected, although an assumed proportion of corporate staff is required to be allocated to the unemployment payments for the purpose of determining staffing levels for this evaluation. Throughout the period 1998-99 to 2003-04, the annual reports for social security provide aggregated staffing levels that combine a range of payment types. To determine an estimate of staff involved only in the delivery of the unemployment payments, the proportion of staff engaged in providing these payments as indicated in the 1997-98 annual report is applied to the subsequent years.

In relation to the employment department, each annual report provides staffing levels for the entire employment program. During the years 1993-94 to 1997-98, when corporate services are separately identified within the employment portfolio, a proportion of the corporate staffing figure is allocated to the employment program for the purpose of this evaluation.

In the case of Centrelink, except for the 1998-99 financial year, the average staffing levels are provided as a single figure that applies to the entire organisation. Over the period 1996-97 to 1997-98 staff numbers for Centrelink indicate an increase of over 3000. This figure coincides with the 3167 staff mentioned in the DEETYA 1997-98 annual report as transferring to Centrelink following the reassignment of functions from the CES. When 3167 is combined with the number of staff involved in the delivery of unemployment payments in the 1995-96 financial year, the staffing level for delivering

unemployment payments and services would number around 10,000 – equivalent to 42 per cent of Centrelink's total staffing. This figure is similar to the number of Centrelink staff undertaking unemployment related activities as determined by the OECD in their research of Australia's labour market reforms (OECD 2001, p. 112). The OECD's figure was based on a careful assessment of the share of employees undertaking unemployment related activities in visits to several Centrelink customer service centres. As such, for Centrelink, this evaluation calculates the number of staff involved in unemployment payments and services as, conservatively, 40 per cent of Centrelink's total staff level.

Table 5.2 presents the estimated number of government staff involved in the provision of employment services and the delivery of unemployment payments to job seekers during the period 1993-94 to 2003-04.

Table 5.2: Government staffing numbers for services to the unemployed (excludes Job Network staff), 1993-94 to 2003-04

	Social security department	Employment department	Centrelink	*Total*
1993-94	9198	10,612		***19,810***
1994-95	7578	10,163		***17,741***
1995-96	7244	9555		***16,799***
1996-97	6856	7165		***14,021***
1997-98	164	5429	9 498	***15,091***
1998-99	88	792	8 932	***9812***
1999-00	93	1626	8 166	***9885***
2000-01	90	1647	8 434	***10,171***
2001-02	136	1359	8 995	***10,490***
2002-03	206	1494	9 646	***11,346***
2003-04	214	1555	9 661	***11,430***

Of greater difficulty than determining the staff employed directly by the government is the task of calculating the employees engaged in the outsourced Job Network. At June 2004, the Job Network comprised 109 Job Network members and hundreds of licensed Job Placement Organisations operating from more than 2700 sites across Australia. The extent of these operations suggest a large number of staff are engaged in the government-funded employment services market. However, no registration is required of staff so the exact number employed is unknown. Some assistance is provided by the Australian Bureau of Statistics (ABS), with their publications that examine employment in the employment services market (ABS 2000a and 2003). However, the ABS reports do not provide a straightforward figure for the number of people employed in the Job Network and the data only relates to the periods 1998-99 and 2001-02, rather than each year of the evaluation period.

In the 1999 survey (ABS 2000a), the ABS categorise employment services into the employment placement industry and the contract staff industry. Of interest for a consideration of the Job Network is the employment placement industry as these businesses engage in job search, employee selection and referral services, but are not responsible for the payment of wages of the person placed in employment. In contrast, the contract staff industry engage in job placement, but do so on the basis that the wages associated with the persons placed are paid by the business performing the placement. For the employment placement industry around 11,300 persons are employed and 58 per cent of the industry income is derived from the Job Network contracts. As such, it is assumed around 6500 employees (58 per cent of 11,300) are involved with Job Network activities. However, total Job Network contract income amounts to $636 million, yet employment placement firms collect only $581 million in Job Network contracts. The remaining $55 million of Job Network funds would account for around 650 additional staff. Therefore, it may be assumed that around 7200 Job Network staff are employed at June 1999.

Using the same ABS publication (ABS 2000a), the OECD (2001) hypothesises about two-thirds of the 11,300 employment placement staff (that is, 7500) are funded by the Job

Network. This assumption is based on 28 per cent of businesses deriving their income from employers (rather than the government) and because private placement agencies account for 36 per cent of all permanent placements. In relation to the latter figure of 36 per cent, it is uncertain the type of 'private' agency the OECD is discussing. The ABS publication divides placements into those provided by the 'for profit' and 'not for profit' industry. However, both sectors provide Job Network services, with the 'for profit' sector responsible for 64 per cent of all Job Network placement activity.

An alternative approach to determining the number of people employed in the Job Network is to take account of placement activity. In relation to the total number of placements for the year ending 30 June 1999, those firms providing Job Network placement activity accounted for 75 per cent of all placements (252,201 of a total of 332,472 placements). If using placement numbers, then the number of employment placement industry staff engaged in Job Network functions could number about 8500 (75 per cent of 11,300).

The preceding three paragraphs have determined that for the year ending June 1999, Job Network staff numbered as low as 7200, using a proportion based on the amount of Job Network funding, or 8500, based on the proportion engaged in Job Network placement activity. With an absence of appropriate data the actual number of Job Network employees for 1999-98 remains unknown.

In the subsequent survey of the employment service industry (ABS 2003), the ABS combine their analysis of the employment placement industry and the contract staff industry and concentrate on specific activities and the nature of 'for profit' and 'not for profit' organisations involved in these activities for 2001-02.

The ABS survey notes that 'not for profit' organisations accounted for around 28,440 of total employment in the employment service industry and that around 51 per cent of their income was generated from government, although the extent that this government income comprises Job Network funding is not provided. If the government income for non-

profits is all Job Network related, then up to half of the 28,440 'not for profit' employees are involved in the Job Network, that is 14,220 people. In addition, because the market share of Job Network employment services held by non-profit organisations is around 50 per cent (Eardley 2003a), the remaining half of Job Network services undertaken by the 'for profit' sector adds another 14,000 or so staff into the Job Network staffing numbers, producing a total around 28,000.

Although the ABS conclude that employment service organisations experienced a "significant growth between 1998-99 and 2001-02" (ABS 2003, p. 7) an increase of around 300 per cent for the staff of the Job Network appears unlikely and is not supported by substantial increases in the level of expenditure for the Job Network by the employment department. Accordingly, with no accurate method for determining the staff engaged in the Job Network, and with such a high number calculated for 2001-02 compared to the number of 7200 to 8500 determined in 1998-99, hypothesising about the number of Job Network staff is unlikely to yield firm figures.

If, as a conservative figure, an additional 7500 staff is added to the total government staff numbers from the 1998-99 year onwards to represent Job Network staff, then total staff figures for the reformed employment services is estimated to be greater than the three years preceding the introduction of the Job Network. These estimated figures are shown in table 5.3.

Table 5.3: Estimated total staff numbers for services to the unemployed (government employees and Job Network staff), 1993-94 to 2003-04

	Total column from table 5.2	Job Network (estimate)	*Total*
1993-94	19,810		***19,810***
1994-95	17,741		***17,741***
1995-96	16,799		***16,799***
1996-97	14,021		***14,021***
1997-98	15,091		***15,091***
1998-99	9812	7500	***17,312***
1999-00	9885	7500	***17,385***
2000-01	10,171	7500	***17,671***
2001-02	10,490	7500	***17,990***
2002-03	11,346	7500	***18,846***
2003-04	11,430	7500	***18,930***

With fewer unemployed people and less administered costs involved in funding employment programs in the later years, the higher levels of staff numbers would suggest the reform is not as efficient as expected. However, without accurate staffing figures for the Job Network, it is difficult to be confident of any conclusions. Nevertheless, the findings question unqualified support for the idea that the competitive Job Network market has provided significant efficiencies in the area of staffing. It may be the case that given the possibility of poorer working conditions for Job Network employees, the costs related to staffing may not be as significant for the Job Network as it is for government. This view is supported by a common concern associated with the adoption of new public management reforms – that inadequate funding, or the drive for profits, is responsible for the exploitation of outsourced workers who experience poor working conditions, low wage rates and increased levels of stress due to inadequate staffing (Chalmers and Davis 2001; Lundsgaard 2002; Quiggin 2002; Schick 1996). Such concerns have been raised in the case of the Job Network (Abelló and MacDonald 2002;

Australian Council of Social Services 2001; Jobs Australia and Brotherhood of St Laurence 2005).

Conclusion

The analysis in this chapter shows that during the period 1993-94 to 2003-04, real costs for income support and employment programs have increased by almost $15 billion. Closer examination indicates the largest proportion of this increase in costs involves the payment of income support.

In the case of income support for the unemployed and employment services programs, administered expenses for income support has decreased by around $2 billion while employment services programs have reduced by over half from the highest level of $2.6 billion in 1995-96 to $1.3 billion in 2003-04. Combined, the administered expenses for job seekers have reduced in real terms over the period 1993-94 to 2003-04 by around $2.4 billion. In terms of the overall operational costs of programs for the unemployed, costs were reduced by half prior to the introduction of Centrelink and the Job Network and have since remained stable. Over the same period, the number of people receiving an unemployment payment has reduced by almost a third.

This chapter has also examined in detail the issue of staffing the new arrangements for programs to assist the unemployed. Reductions in staff can lead to significant savings and are commonly associated with new public management reform. For example, as mentioned in Chapter 4, the efficiency report of the Boston Consulting Group concludes that one of the main drivers of Centrelink's early efficiency gains was a reduction in staff of around 5000. However, determining staffing levels, particularly for the Job Network is shown to be difficult. The inability to form a judgement on the number of Job Network employees also reflects a lack of transparency and a gap in the data that limits the completion of a comprehensive efficiency evaluation.

Chapter 6: Efficiency and social security programs

This chapter examines income support programs to consider program shifts that have occurred over the evaluation period and the number of people receiving social security assistance. Taking into account these factors may assist in explaining shifts that have taken place in administered and departmental costs over the course of the evaluation period.

In 1993-94, the year when the evaluation period commences, the management and delivery of income support payments was the central work of the social security department. Aside from the establishment of Centrelink in 1997, the other major change to the department's structure that takes place over the evaluation period is in October 1998, when the department was renamed the Department of Family and Community Services (FaCS). At this time, numerous community programs and services transferred into the department from other portfolios. However, the broadening of the department's functions is not unique to this time. When DSS had initially formed in December 1972 it amalgamated income support payments with activities related to a range of community services such as aged persons welfare, handicapped persons welfare, homeless persons assistance and rehabilitation services. By 1993-94, these broader services had been placed into other departments and the provision of income support comprised the central focus of DSS. This chapter concentrates on the costs associated

with the provision of income support payments as this was the main task of the department in 1993-94 and has comprised the bulk of Centrelink's work since its establishment.

Examining the expenses associated with Australia's major income support payments during the evaluation period, including any significant shifts in policies and the number of income support recipients may reveal trends in the direction of cost efficiency. The analysis begins by considering costs on a macro level and examines the administered and departmental expenses associated with the major programs within the social security portfolio. These programs reflect the organisational structure upon which the portfolio is arranged. Each program contains a number of income support payments. For example, the 'retired' program generally comprises age pension, wife pension (age) and widows B pension. As the type of payments within each program varies over the course of the evaluation period, the chapter proceeds to undertake an analysis that is separated on the basis of payment types. For this purpose, payments are examined as either pensions or allowances and the number of customers for each payment type are taken into account.

For an alternative view to the cost per customer analysis that is undertaken for the major payment types, the chapter proceeds to examine the proportional changes that have taken place to the expenses and customer numbers associated with social security payments over the course of the evaluation period. These aggregate figures enable the variations in administered expenses, departmental expenses and customer numbers to be compared alongside each other to provide a different picture of the overall changes compared to the cost per customer basis of analysis.

Finally, the chapter assesses Centrelink's efficiency performance as indicated by the delivery of efficiency dividends. Centrelink has often commented on its success in returning efficiency dividends to government. For example, in its 2002-03 annual report, Centrelink remark on their achievement in delivering a total of $1081.6 billion in efficiency dividends since its inception. However, the operation of Centrelink's efficiency dividend does not appear to have been closely scrutinised. Given the emphasis

placed on this aspect of Centrelink's performance, a closer examination of the operation of the dividend is undertaken.

Social security programs

The following two charts display the administered and departmental costs of social security programs for the period 1993-94 to 2003-04.

Chart 6.1: Administered costs of social security programs, 1993-94 to 2003-04 $('000)

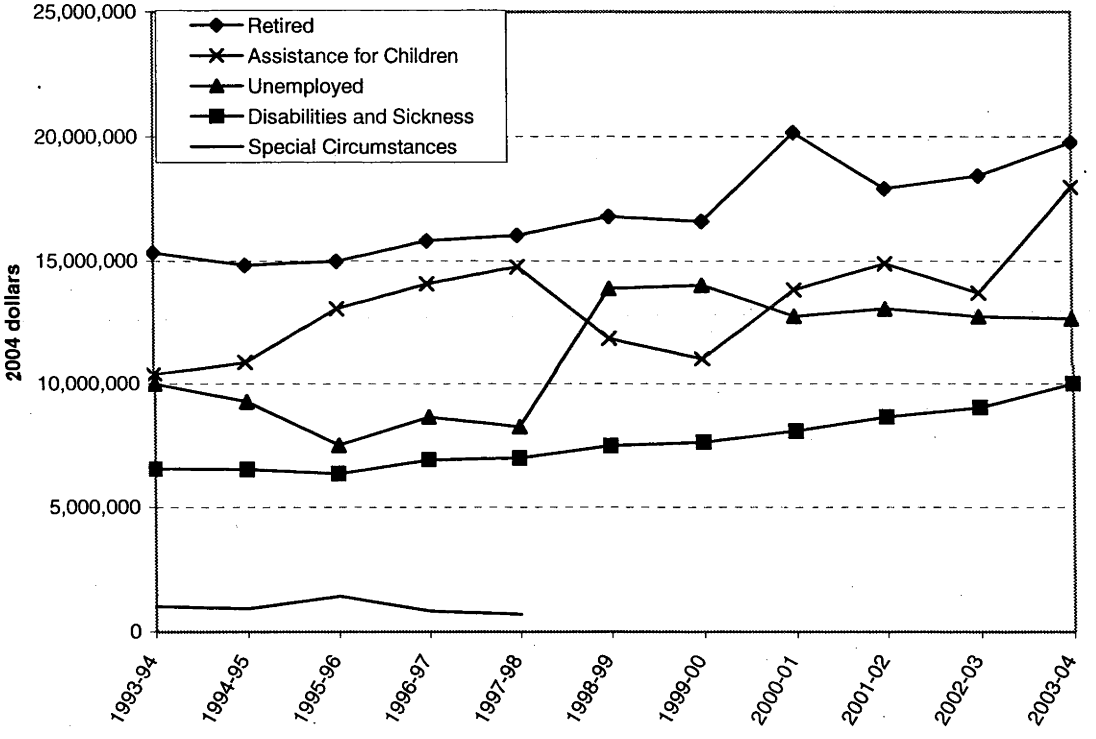
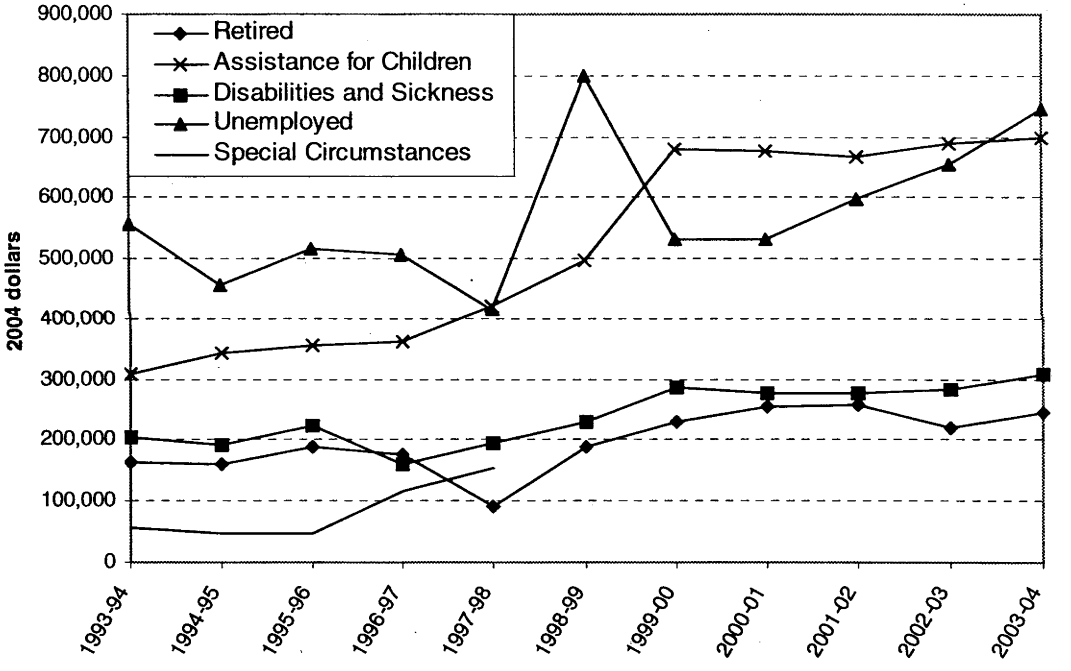


Chart 6.1 shows that increases have occurred in real terms for the administered costs of all of the major income support programs. Assistance to the retired has increased from around $15 billion to just under $20 billion and payments for families with children have increased from $10.4 billion to $18 billion. Payments involving the unemployment program and the disability and sickness program have also increased, but not to the same

degree as for the retired or assistance for children programs. Payments related to the unemployment program increased in real terms from around $10 billion to $12.6 billion over the period 1993-94 to 2003-04. The sudden increase in administered expenses for the unemployment program in 1998-99 relates to the transfer from the assistance for children program of income support payments provided to parents. At the same time, a decrease in the assistance for children program can be observed. The special circumstances program, consisting in 1993-94 of payments to widows and special benefit payments, ceases after 1997-98 when these payments were moved to other programs.

Chart 6.2: Departmental costs of social security programs, 1993-94 to 2003-04 $('000)



In chart 6.2, the funding for Centrelink, that is always departmental in nature, is combined with the departmental expenses for DSS or FaCS. Combining the departmental expenses in this way captures the entire costs of running a program, including the direct service delivery costs of Centrelink and the department's costs in developing and administering the programs' policies and managing the purchase of

services from Centrelink. This approach ensures all the costs related to the reformed arrangement are included in the analysis.

As with chart 6.1, chart 6.2 indicates real increases for the departmental expenses of all programs, with the assistance for children program showing the highest increase of around 125 per cent in real terms.

The progression of costs in charts 6.1 and 6.2, between administered expenses and departmental expenses, do not necessarily display a direct relationship where the departmental costs increase or decrease in the same proportion as administered costs. Seeking to understand the reasons for the ups and downs in administered and departmental costs from an analysis of the programs is not straightforward. As previously mentioned, this is largely because the types of payments that comprise each program have altered over the course of the evaluation period. For example, in 1993-94, the 'income security for the unemployed' program involved three payment types, but by 2003-04 comprises nine payments, reflecting the greater emphasis over this period of time being placed upon the workforce participation of a greater number and variety of income support recipients. A more useful way of tracking the administered and departmental costs is to consider the major types of payments provided in the income support system and analyse these payments as separate items. The following sections explore these different payment types as either pensions, allowances, parenting payment or family payment.

The only payment excluded from the analysis is the widow allowance. Payments to widows were introduced in the 1940s, when women were not expected to engage in employment because of age or duties caring for children. In the late 1980s, as perceptions about the role of women in the workforce were changing, the government commenced the phasing out of payments to widows. However, with the worsening workforce attachment of older women in the early 1990s, and to lessen the impact of the phasing out of the widows payments, the government introduced the widow allowance in 1995 for older women with little or no recent workforce experience. The payment was a

short-term response and from July 2005 no new claims for widow allowance are possible, unless the claimant was born on or before 1 July 1955.

Historically, income support has comprised two broad categories of payments - pensions and allowances. Generally, pension payments have been provided to ensure adequate levels of income to people who are expected to remain out of the workforce for long periods of time. Accordingly, the main types of pensions are age pension and disability support pension. In contrast, allowance payments, also referred to as benefits, are provided to those who it is assumed require only short-term assistance. As such, the rate of allowance payments is not as great as for pension payments and the means test applying to allowances – comprising an amount of income that can be received before the rate of payment begins to reduce (the free area) and the rate of the reduction once income exceeds the free area (the withdrawal rate) – is not as generous as the means test applying to pensions. The allowance means test is intended to ensure that recipients make every effort to return to paid employment as soon as possible. Payments that do not easily suit the pension/allowance distinction, such as parenting payment and family payment, are considered separately in this efficiency evaluation.

Table 6.1 indicates the values, at June 2004, of a pension payment compared to an allowance payment, including the free areas and withdrawal rates, and the levels of fortnightly income where the payments are reduced to nil.

Table 6.1: Comparison of pensions and allowances – rates and income tests, June 2004

Payment	Single rate p/f	Free area p/f	Withdrawal rate	Income level that reduces payment to nil p/f
Pension	$470	$120	40 cents for each dollar of income over $120 p/f	$1,295.00
Allowance	$389.20	$62	50 cents for each dollar of income between $62 p/f and $142 p/f 70 cents for each dollar on income over $142 p/f	$640.86

Pension payments

The pension payments tracked in this analysis are age pension, disability support pension, carer payment (known as carer pension prior to July 1997) and wife pension. Age pension provides support for the retired and is paid to men from the age of 65. While women were able to claim the age pension from age 60, this age is gradually being increased (by six months every two years) so that in 2013, the eligibility for women to age pension will occur at age 65 also. The disability support pension is provided to ensure that people of workforce age, who are unable to work full-time because of a substantial impairment, receive adequate income. The wife pension is provided to female partners of men receiving age pension or disability support pension. However, since July 1995 there have been no new grants of wife pension in recognition of the increased workforce participation of women, resulting in a substantial drop in the number of women receiving this payment over the period 1993-94 to 2003-04. The final pension included in this analysis is carer payment, a payment providing support for people who are unable to participate substantially in the workforce because of their caring role for people with disabilities. Table 6.2 shows the pension populations for these pensions at 30 June each year.

Table 6.2: Customer numbers for the major pension payments, June 1994 to June 2004

At June each year	Age pension	Disability support pension	Wife pension	Carer payment	*Total*
1994	1,581,874	436,234	152,575	17,699	***2,188,382***
1995	1,578,698	464,430	161,540	20,098	***2,224,766***
1996	1,602,834	499,235	148,928	25,037	***2,276,034***
1997	1,680,214	527,514	127,884	29,558	***2,365,170***
1998	1,682,618	553,336	116,125	33,979	***2,386,058***
1999	1,718,792	577,682	100,728	40,070	***2,437,272***
2000	1,738,215	602,280	91,341	47,550	***2,479,386***
2001	1,793,426	623,926	77,701	57,190	***2,552,243***
2002	1,818,205	658,915	67,968	67,260	***2,612,348***
2003	1,861,055	673,334	58,110	75,937	***2,668,436***
2004	1,876,250	696,742	52,829	84,082	***2,709,903***

Source: DSS/FaCS annual reports, 1993-94 to 2003-04

Table 6.2 indicates substantial increases in the number of age, disability and carer pensioners. Age pension recipients have increased in number as life expectancies have risen. For disability support pension, the increase in numbers has been pronounced among older males and may reflect the general trend in the Australian population that shows the incidence of disabilities increasing with age. However, concerns have been expressed about the maturing baby boomer generation using the disability support pension to support early retirement (Ingles 2000). The increase for carer payment recipients most likely parallels the increase in disability support pensioners and because no new grants of wife pension are made. The decrease in wife pensioners is expected with no new grants of this payment.

In determining the administered and departmental costs of pension payments, the expenses relating specifically to each of the four pension payments are divided by the

number of pensioners as outlined in table 6.2. This provides a measure of the costs on a per customer basis. This method does not provide an accurate portrayal of costs per service unit because the number of pensioners at June each year does not equate with the number of people receiving payment throughout the year. However, the method will provide an indication of the trends in costs on a per pensioner basis over the evaluation period, enabling broad conclusions to be drawn. For the period 1993-94 to 1997-98, before the introduction of accrual accounting when corporate costs were identified separately, these corporate costs are attributed to each type of pension payment based upon the percentage that each payment comprises of the total costs of the portfolio.

Chart 6.3: Pension payments - administered costs per customer, 1993-94 to 2003-04

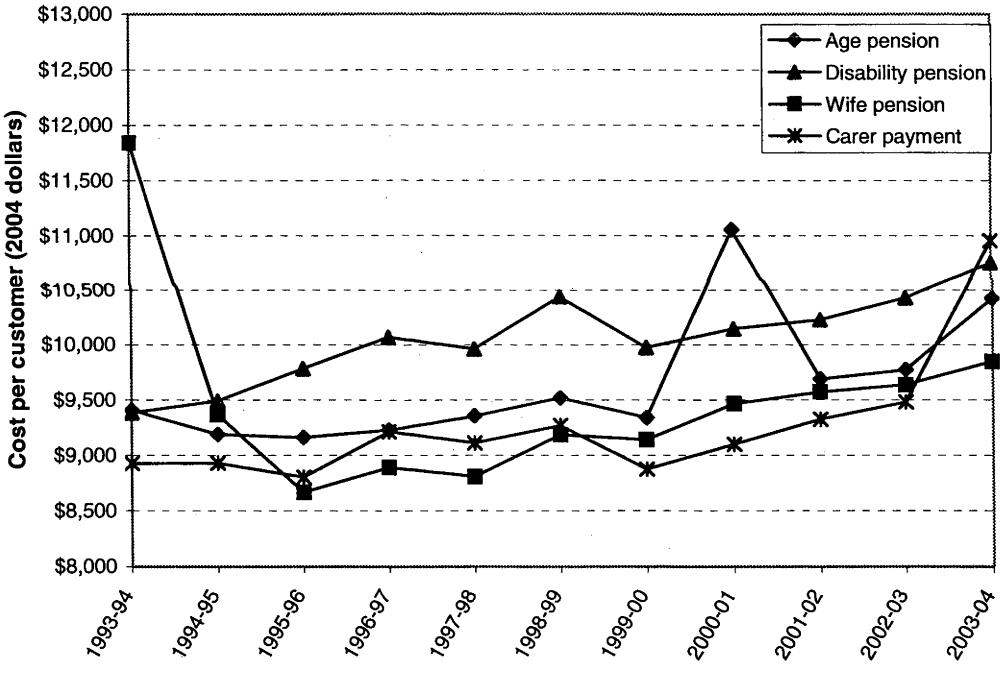
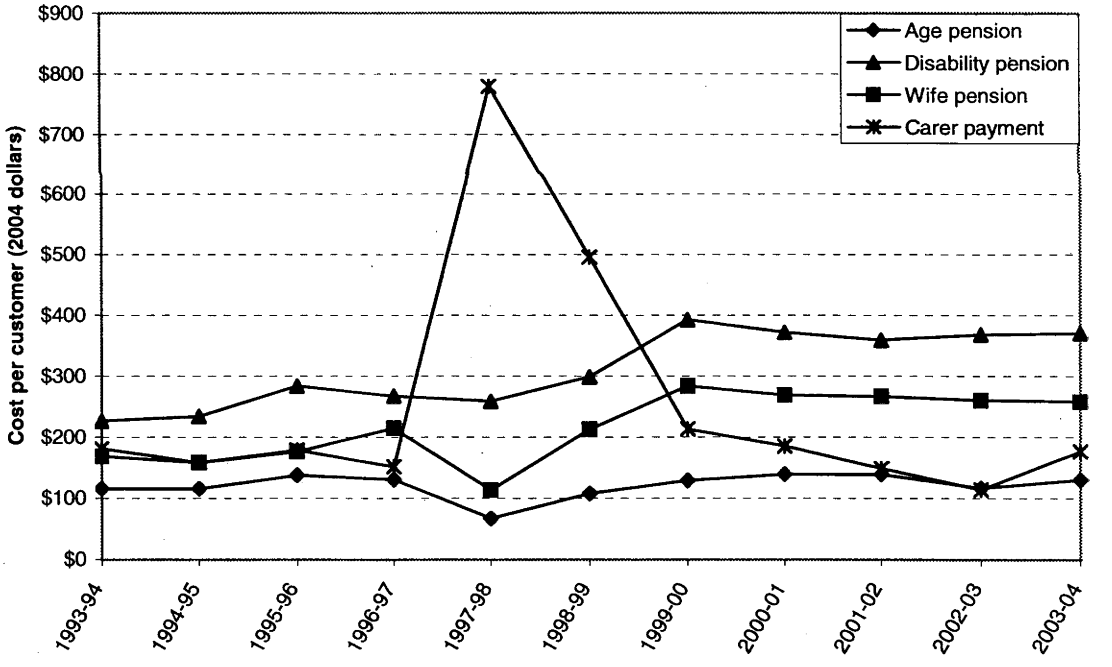


Chart 6.3 indicates that for most pension payments gradual increases in the administered costs per customer in real terms has taken place. The most notable features of the chart are the decrease for wife pension from 1993-94 to 1995-96 and the increase affecting age pension in 2000-01. In the case of wife pension, the DSS annual report for 1994-95 notes an increase in the number of wife pensioners receiving part-pension. The growth in part-

rate wife pensioners may reflect the increased participation of these women in the workforce, particularly with the policy change that restricts the payment to older women. These women may have been transitioning themselves for the cancellation of payment by joining the workforce.

For age pension, the increase shown in 2000-01 relates to the one-off 'savings bonus' offered to age pensioners to counter the impact of an increase in general prices expected with the introduction of the goods and services tax in July 2000. The overall increases in administered costs per customer that becomes more noticeable after 1999-00 may be explained by the more generous pension income test structure that was also introduced with the tax reform measures.

Chart 6.4: Pension payments - departmental costs per customer, 1993-94 to 2003-04



Overall, as chart 6.4 shows, the departmental costs per customer have either remained stable or tended to increase slightly in real terms during the period 1993-94 to 2003-04. A decline for most pension payments occurred in 1997-98 as Centrelink was introduced

and the restructure resulted in numerous retrenchments and a decline in running costs. However, over the following two-year period, increases in departmental expenses take place that result in costs greater than those for the period prior to Centrelink. From 1999-00 onwards only minimal changes in departmental expenses are observed.

In chart 6.4, the most obvious anomaly is the sharp increase, then decline for the departmental costs of carer payment in the period 1997-98 to 1999-00. This period coincides with the change from carer pension to carer payment in July 1997 and reforms to carer income support that involved the development and implementation of strategies aimed at providing more opportunities for carers to access voluntary and paid work, education and training. Despite the carer payment reforms, the administered costs per customer in chart 6.3 shows the carer payment program costs have been increasing on a per customer basis. Since 1999-00, chart 6.3 shows the administered costs for carer payment have risen each year and in 2003-04 were the highest of all pension payments at just under $11,000 per customer.

Allowances

The main types of allowance payments are unemployment payments, partner allowance, mature age allowance, sickness allowance and special benefit. Unemployment payments are provided for people taking steps to gain employment. A major change to payments for job seekers over the 1993-94 to 2003-04 period is the increased level of participation required in specific activities. This change is associated with both the previous Labor government and the Howard government adopting an 'active society' approach to welfare. This approach involves a shift from passive receipt of welfare to active participation of the unemployed in structured activities. Some commentators consider the Social Security Review, a major appraisal of the welfare system undertaken in the mid-1980s, as introducing the active society approach (Harris 2001; Ramia and Carney 2003; Ziguras, Dufty and Considine 2003). The emphasis on conditionality has become more prominent under the Howard government with the introduction of measures such as ther Job Seeker Diary, the Mutual Obligation Initiative and the Work for the Dole

scheme. In addition, non-compliance with required activities is closely monitored and the number of income support recipients incurring a financial sanction has increased substantially under the Howard government.

Another major change for unemployment payments was the move to individualising income support. Prior to September 1994, a partnered male who was unemployed was paid a married rate of allowance. In recognition of the increased participation of women in the workforce, after September 1994 women were paid an income support payment based upon their own circumstances. Partner allowance was introduced as a non-activity tested payment to the female partners of unemployed men. To be eligible for partner allowance a women must be born before 1 July 1955 and have no recent workforce experience. Mature age allowance, introduced in March 1994, is another non-activity tested payment paid to some unemployed people aged over 60, but not yet old enough for the age pension. Both the partner allowance and the mature age allowance were closed to new applicants in September 2003. This change reflects the increased policy emphasis on limiting the number of payment types that are not linked to undertaking steps towards gaining employment.

Sickness allowance is paid to people temporarily incapacitated for work. The number of sickness allowance recipients has been steadily decreasing since the introduction of changed rules in March 1996 that restricted eligibility to people who have a job to return to or students who intend to resume their studies. Those who do not meet the changed eligibility requirements for sickness allowance are paid an unemployment payment, but are exempted from meeting any activity requirements. Special benefit provides income support to needy people who are unable to access any other pension or allowance, for example, a woman in the later stages of pregnancy who is unable to satisfy the activities associated with unemployment payments.

Table 6.3 provides the allowance customer numbers. For unemployment payments the numbers include recipients of the youth allowance payment who are unemployed.

Table 6.3: Customer numbers for the major allowance payments, June 1993 to June 2004

At June each year	Unemployment payments	Partner allowance	Mature age allowance	Sickness allowance	Special benefit	*Total*
1994	878,278			45,848	25,542	***1,187,168***
1995	822,571	216,739	38,866	46,050	20,440	***1,144,666***
1996	846,556	69,840	45,931	34,578	18,885	***1,015,790***
1997	829,903	72,117	53,386	15,633	14,700	***985,739***
1998	902,215	75,021	50,771	16,285	10,236	***1,054,528***
1999	773,797	81,359	45,253	11,181	11,808	***923,398***
2000	699,369	89,684	41,840	10,773	10,971	***852,637***
2001	703,406	92,492	39,149	10,942	12,712	***858,701***
2002	674,829	103,892	40,498	9522	13,315	***842,056***
2003	633,259	102,811	41,078	8755	12,228	***798,131***
2004	602,736	90,936	32,912	8478	11,216	***746,278***

Source: DSS/FaCS annual reports, 1993-94 to 2003-04

Unlike the overall number of pensioners, the number of allowees has declined by almost 40 per cent over the evaluation period, from 1,187,168 to 746,278. Much of this decline relates to the improved conditions of the labour market. The more unusual figure in the table is the 216,739 recipients of partner allowance in 1995, which drops to 69,840 in the next year. The drop in partner allowees is due to the introduction of parenting allowance in July 1995, a payment introduced for the primary carers of children in couple-headed families where the other partner was an income support recipient or a low income worker. Those partner allowees with children would have transferred to parenting allowance in July 1995. Payments to parents are considered in the next section of this chapter.

Similar to the analysis undertaken for pension payments, the following charts display the administered and departmental costs of allowances on a per customer basis. Once again,

for the years 1993-94 to 1997-98, corporate costs are identified separately in the annual reports. As such, these costs are attributed to each allowance payment based upon the percentage that each payment comprises of the total expenses of the portfolio.

Chart 6.5: Allowance payments - administered costs per customer, 1993-94 to 2003-04

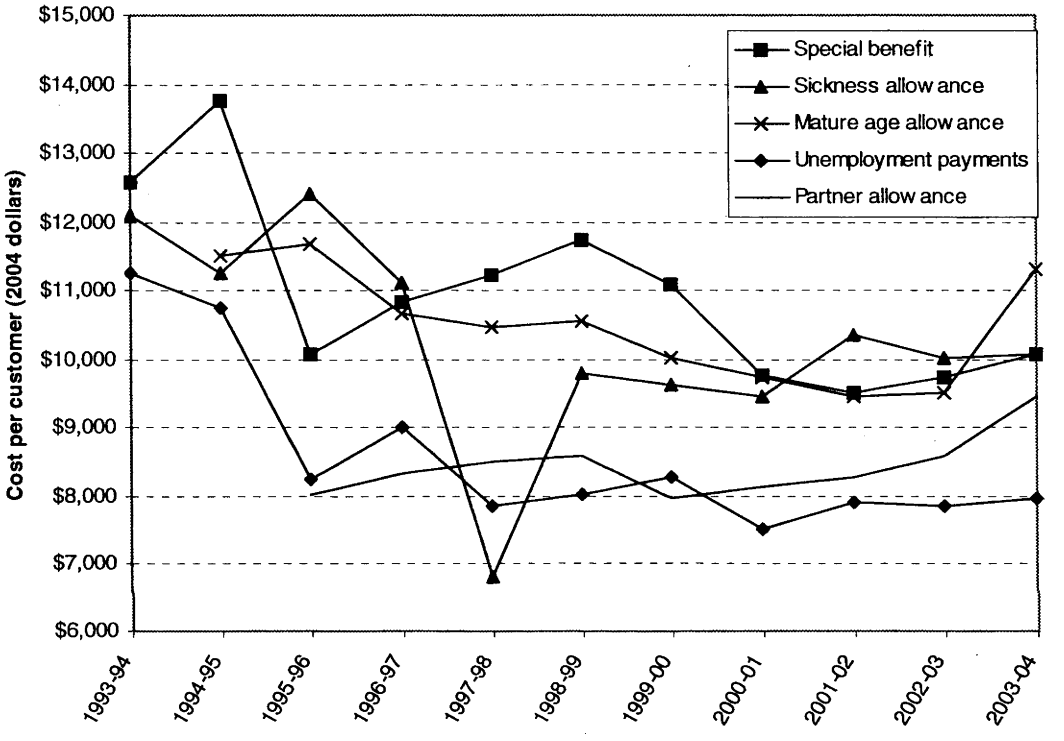
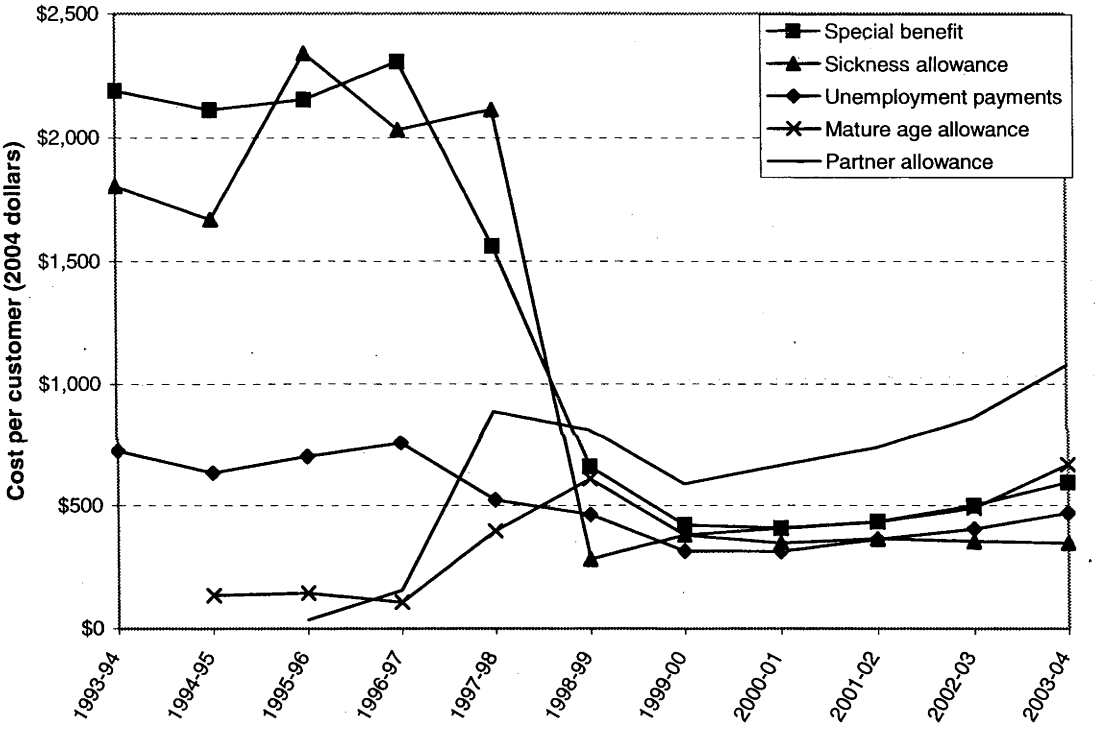


Chart 6.5 shows that for most payments the administered costs per customer have declined. This result is because of the increased proportion of allowees with earnings. Against this trend involving some labour force attachment, the proportion of partner allowance recipients with earnings has dropped. This decline in earnings is reflected in the higher administered costs per partner allowee as compared to the other allowance recipients and is explained by the non-activity tested nature of partner allowance and the limit of eligibility to women born on or before 1 July 1955 who have little or no workforce experience. Since 2000-01, the administered costs per customer have been stable for most payments. Increases for partner allowance and mature age allowance take

place in the final year of the evaluation period — from $8578 in 2002-03 to $9462 in 2003-04 for partner allowance and from $9507 to $11,319 for mature age allowance. With no new grants available for partner allowance and mature age allowance after September 2003, the number of recipients for these payments fell by a greater proportion than did the administered expenses, raising the costs per customers in 2003-04 compared to 2002-03.

Chart 6.6: Allowance payments - departmental costs per customer, 1993-94 to 2003-04



In chart 6.6 the departmental costs per customer for special benefit and sickness allowance show a sharp drop coinciding with the period when Centrelink was introduced. This may suggest operational efficiencies of Centrelink are responsible. However, policies changes also coinciding with Centrelink's introduction impacted greatly on each of these two payments. For special benefit, the composition of the payment generally comprises a large number of migrants who do not meet the residential criteria for other payment types. However, in 1996-97 a two-year waiting period for newly arrived

residents was introduced and the number of beneficiaries and running costs reduced substantially. In the case of sickness allowance, 1996-97 is the period when new rules restricting eligibility to people who have a job or are studying were introduced and this resulted in a 55 per cent decrease in the number of recipients and a corresponding substantial reduction in running costs as claims became more straightforward and involved less complex assessments. Unlike the previous transfer to sickness allowance, unemployed people who become ill are termed 'incapacitated' and remain on the unemployment payment while given a temporary exemption from the activity requirements.

Generally, in chart 6.6, departmental costs per customer for allowance payments decline following the introduction of Centrelink, but following several financial years of little movement, the chart indicates a slight upward trend since 2000-01.

Parenting Payment

Parenting payment is another major payment provided by the income support safety net. However, in this analysis it is considered separately from pensions and allowances, given the combined pension and allowance background of the payment. The parenting payment was introduced in March 1998 and combined the two payments of sole parent pension, paid under pension conditions, and parenting allowance, paid under allowance conditions. The payments were combined in recognition that recipients were the main carers of their children, albeit as lone parents in the case of sole parent pension and partnered parents in the case of parenting allowance.

Table 6.4 provides the customer numbers for parenting payment over the period 1994 to 2004.

Table 6.4: Customer numbers for parenting payment, June 1993 to June 2004

At June each year	Sole parent pension/ Parenting payment (single)	Parenting allowance/ Parenting payment (partnered)	*Total*
1994	313,437		
1995	324,941		
1996	342,290	237,321	***579,611***
1997	358,893	239,317	***598,210***
1998	372,286	236,550	***608,836***
1999	384,821	227,677	***612,498***
2000	397,278	218,013	***615,291***
2001	424,614	214,721	***639,335***
2002	427,846	191,576	***619,422***
2003	436,958	181,405	***618,363***
2004	449,312	177,157	***626,469***

Source: DSS/FaCS annual reports, 1993-94 to 2003-04

Table 6.4 shows that depending on whether the recipient of parenting payment is single or partnered, the numbers in receipt of payment move in the opposite direction. In the case of single recipients, the numbers have been increasing, but partnered recipients are declining in number. This feature of the payment is due to a number of factors. In the case of single parenting payment, the proportion of sole parent families in the Australian population has been rising slowly, but steadily, throughout the period. For partnered parenting payment, the decline in recipients mirrors the overall decline in the allowance population, where the partners of what would otherwise be parenting payment recipients are no longer in receipt of income support.

Also, the opposite trend in numbers may reflect the separate income tests applying to the different parenting payments. Single parenting payment retained the more generous pension income test resulting in far greater earnings than the partnered payment to obtain

the same level of income support or before the payment is reduced to nil. That is, the more generous pension income test enables a single parenting payment recipient to retain access to payment, when, at the same level of income, a partnered person would have ceased receiving income support.

To reinforce the idea that parents with school age children are in receipt of a workforce age payment, changes announced in the 2005-06 Budget greatly reduced the eligibility to parenting payment under the pension income test. Whilst the separate income tests remain, new claimants for the partnered parenting payment require their youngest child to be aged under six, or in the case of single parenting payment, under eight. Existing recipients retained eligibility under the previous rules that allowed dependent children to be aged up to 16 years. For new recipients, the changed rules impact the most on single recipients, who need to apply for an unemployment payment when their youngest child turns eight years old, and therefore are subject to the much harsher allowance income test and more intensive activity requirements.

Although the number of sole and partnered recipients of parenting payment is available, the expenditure data in the annual reports combines the costs of parenting payment into single figures, so separate analysis of the costs of partnered parenting payment compared to single parenting payment is not possible. As such, for the first three years before parenting payment commences, the following two charts combine the expenses related to parenting allowance and sole parent pension.

Chart 6.7: Parenting payments - administered costs per customer, 1996-97 to 2003-04

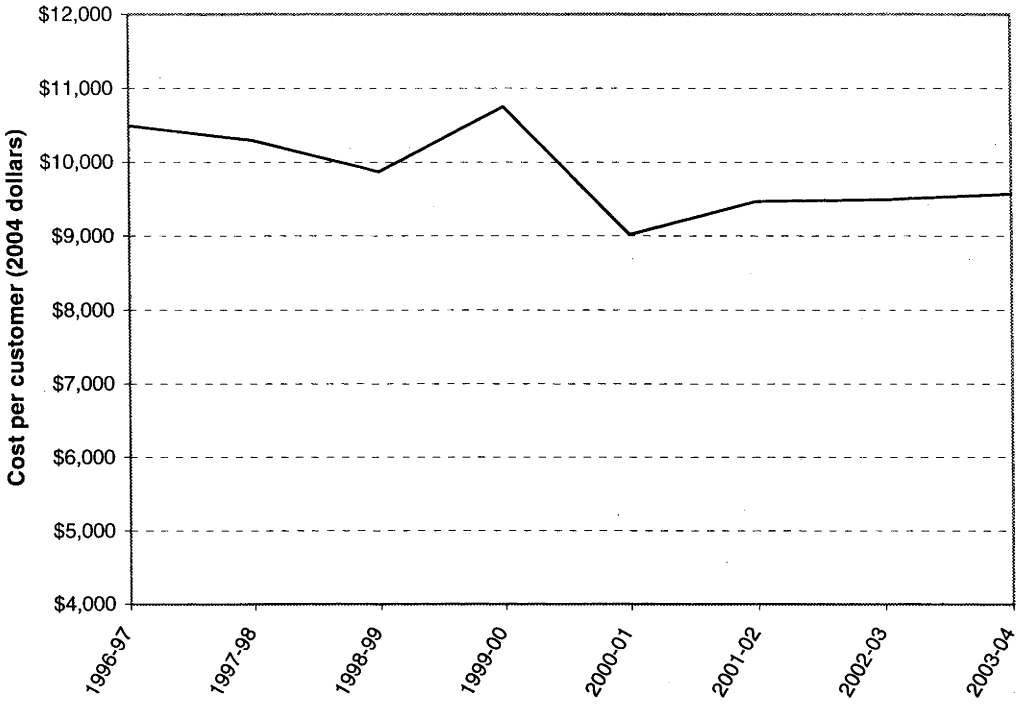


Chart 6.7 shows the administered costs of paying parenting payment per customer has decreased on a per customer basis, but only slightly over the 1996-97 to 2003-04 period. The rise, then dip, over the period 1998-99 to 2000-01 takes place during a time when customer numbers are continuing to rise. Therefore, as these costs relate directly to the payment of income support, the variation indicates a change in the average rate of payment. The lowering of administered costs in 2000-01 may relate to the more generous pension income test introduced as part of the July 2000 tax reform changes, resulting in a higher level of earnings for pensioners before their payment reduces to nil. This change would have introduced to parenting payment an increase in the number of single recipients with high earning and a low rate of payment, thereby reducing the average amount of administered expenses per customer.

Chart 6.8: Parenting payments - departmental costs per customer, 1996-97 to 2003-04

The departmental costs per customer of parenting payment, as indicated in chart 6.8, shows a distinct upward trend during the evaluation period, from $426 per customer in 1996-97 to almost $1100 per customer in 2003-04. Furthermore, the chart shows a sharp increase, then decrease during the period 1996-97 to 1999-00. This period coincides with the introduction of Centrelink, but this feature of the chart is more likely explained by the increased activity that would have been taking place when sole parent pension and parenting allowance were amalgamated to become parenting payment in March 1998. Following the period of implementation, a decline in departmental costs takes place, but chart 6.8 then shows a steady increase in departmental costs per customer over the period 2000-01 to 2003-04, from $736 to $1088.

Family Payments

Payments made in recognition of the costs of raising children are not considered income support payments. Historically, family payments operated as a means of providing

horizontal equity and compensated people for the costs of children, regardless of family income level. However, vertical equity concerns, that involve providing low income families with greater levels of financial assistance, have come to dominate the structure of the payment. Particularly in recent times, the value of family payments has increased and the means test ensures greatest assistance at lower levels of family income, resulting in a payment that conforms closely to the notion of vertical equity. Given the high costs involved with family payments they were included in this analysis.

Over the period under study many changes to payments for families take place. The major change occurred in July 2000 as a result of the tax reform measures. In this change over 12 different payments to families were consolidated and the new family tax benefit introduced. In this analysis the costs associated with the numerous payments provided to families prior to July 2000 are combined.

In July 2000, the government also established the Family Assistance Office in 500 locations around Australia to manage the front-end delivery of family tax benefit. The Family Assistance Office operates as a virtual office and is actually staffed by Centrelink, Medicare and the Australian Taxation Office. Unlike the previous forms of direct assistance, family tax benefit is able to be accessed through the tax system as a lump sum on lodgement of a tax return or as a reduction in the amount of periodic tax deductions across the year. However, the FaCS annual reports note that in excess of 95 per cent of recipients receive their family payments by direct fortnightly payments or as lump sums from Centrelink.

Despite the changes to family assistance, the number of recipients of family payments has remained fairly stable as shown in table 6.5.[14]

[14] The analysis is based on the number of persons in receipt of family payments. This is different to the number of children in respect of which a person is paid family payment.

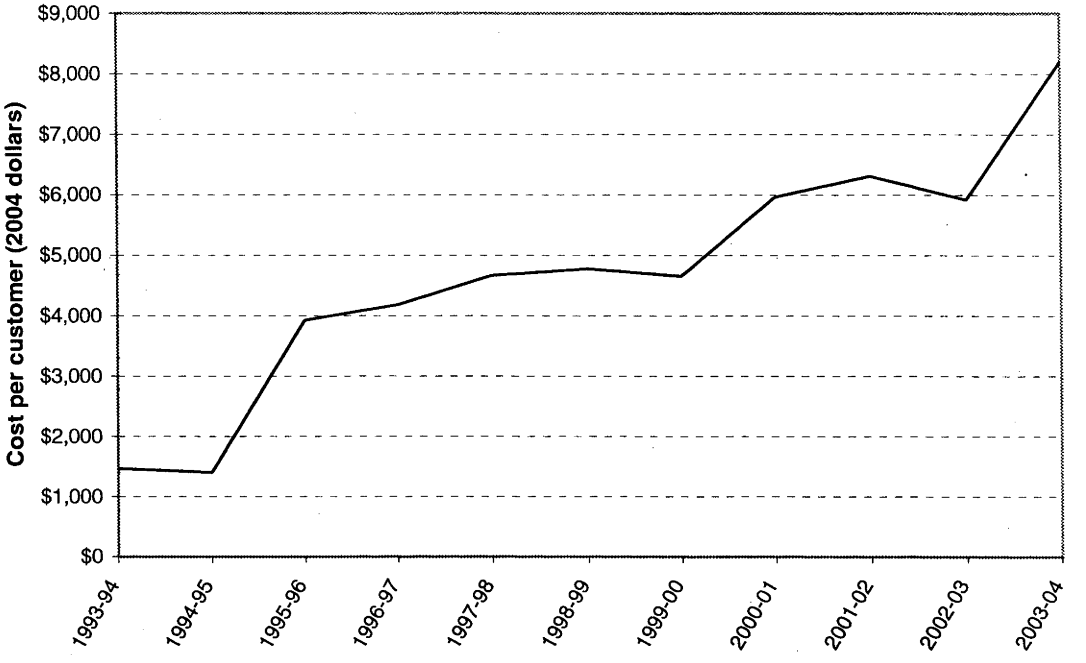
Table 6.5: Customer numbers for family payments, June 1993 to June 2004

At June each year	Family payment recipients
1994	1,825,248
1995	1,804,118
1996	1,812,457
1997	1,811,745
1998	1,775,663
1999	1,773,185
2000	1,749,479
2001	1,827,865
2002	1,823,371
2003	1,813,235
2004	1,840,004

Source: DSS/FaCS annual reports, 1993-94 to 2003-04

Chart 6.9 shows the administered costs per customer of family payments from 1993-94 to 2003-04. Throughout this period, substantial increases in the real value of family payments have occurred.

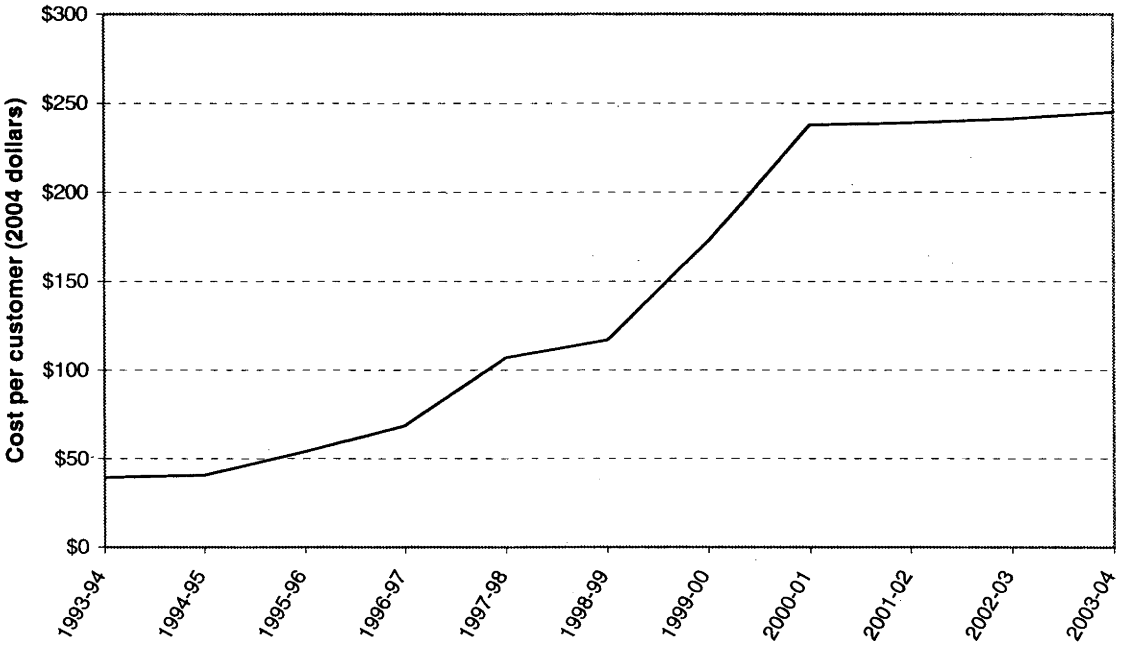
Chart 6.9: Family payments - administered costs per customer, 1993-94 to 2003-04



In 1993-94, the administered costs per customer was around $1500 compared to over $8000 in 2003-04. The increase in the value of the payment and the liberalisation of the income tests for family payments have become an important means for maintaining the real incomes of families with children, particularly in the bottom quintile of the income distribution (McNamara, Lloyd, Toohey and Harding 2004).

However, as chart 6.10 indicates, significant increases in the departmental costs per customer have also taken place, especially leading up to and the year following the introduction of the family tax benefit in 2000-01. These high levels of departmental costs per customer have not shown any lowering since 2000-01.

Chart 6.10: Family payments - departmental costs per customer, 1993-94 to 2003-04



Overall, since 1993-94, the departmental costs per customer have risen in real terms from about $40 to almost $250 per customer in 2003-04. While providing assistance to low income working families with children has become an important aspect of the modern welfare state, the costs in managing and delivering the family assistance system is considerable.

Summary

At the beginning of this section, the picture of administered expenses displayed in chart 6.1 showed increases in costs among all programs. Similarly, in chart 6.2, the departmental expenses for each program indicated real increases have occurred over the evaluation period. In total, administered expenses have increased in real terms by 40 per cent, while departmental costs have climbed by 34 per cent during the period 1993-94 to 2003-04. At the same time, the total number of customers has increased by 17 per cent from June 1994 to June 2004. These figures suggest the social security system has become more generous over the course of the evaluation period. Of particular

concern in an evaluation of cost efficiency is the increase in departmental expenses of 34 per cent during the evaluation period. These figures do not support the claim that the reformed delivery of income support, involving the social security department purchasing services from Centrelink, operates with greater cost efficiency than when policy and delivery were combined within the same department. Although, proportionally, administered costs have increased more than departmental costs, the proportional increase in the number of customers is half that of departmental expenses. It would be expected that the greatest amount of departmental expenses are involved in the processing activities associated with customers. In contrast, providing higher levels of payment assistance, as indicated by the growth in administered expenses, would not be expected to involve substantial operational costs as this could be simply achieved by relevant changes to the computing systems by which the level of payments are calculated.

Because income support comprises many different payment types, determining whether the increases in administered and departmental expenses have occurred uniformly throughout all payments, or relate specifically to certain payment types, required further analysis. Accordingly, for each major payment type within the pension and allowance categories, and for parenting payment and family payment, this section undertook a separate analysis of expenses, linked to the number of recipients. The results indicated that increases in the administered and departmental costs for all payments are not universal or consistent. For example, while administered expenses for most pension payments on a per customer basis have risen, in the case of allowances the administered costs tend to decline. In terms of departmental expenses per customer, a measure that should take into account the level of processing required for each payment, pension payments have risen only slightly as with most allowance payments, although special benefit and sickness allowance show substantial declines in departmental costs per customer. While the administered costs per customer for parenting payment have declined slightly, the departmental costs for this payment type have increased significantly. This section also showed that on a per customer basis, family payments have increased considerably in both administered and departmental expenses.

The overall increases in administered and departmental expenses that take place over the evaluation period occur because those payments where costs have risen tend to comprise large customer numbers. For example, at June 2004, of the payments in the analysis that indicate an increase in departmental costs per customer, around 88 per cent of customers receive these payments. On the other hand, the three payments that indicate a decrease in the expenses related to departmental costs per customer (unemployment payments, sickness allowance and special benefit), do not comprise a large number of customers. Of these three payment types, unemployment payment comprises the largest number of customers, but declines only slightly in departmental costs per customer over the evaluation period. In comparison, sickness allowance and special benefit are payment types that show significant reductions in departmental costs per customer, but comprise only 0.3 per cent of customer numbers. The analysis was also able to show that one-off variations in the administered and departmental expenses of different payment types is generally related to policy changes taking place at the same time.

Proportional changes to income support payments

To provide a further indication of the changes that have taken place to costs and customer numbers over the evaluation period, an analysis based upon proportional changes is also undertaken. The following table indicates the proportional changes in administered and departmental costs, as well as the proportional change in customer numbers, from the start to the end of the evaluation period.

Table 6.6: Percentage change in number of customers, administered and departmental costs during 1993-94 to 2003-04

	Percentage change in recipient numbers	Percentage change in administered costs	Percentage change in departmental costs
Age pension	19	31	33
Disability support pension	60	83	162
Wife pension	– 65	– 71	– 47
Carer payment	375	483	363
Unemployment payment	– 31	– 52	– 56
Partner allowance (a)	21	35	47
Mature age allowance (b)	– 15	– 17	322
Sickness allowance	– 82	– 85	– 96
Special benefit	– 56	– 65	– 88
Parenting payment (c)	5	4	167
Family payment	1	464	525

(a) Percentage change since 1997-98
(b) Percentage change since 1994-95
(c) Percentage change since 1996-97

Table 6.6 shows that a general pattern emerges in the direction of change between customer numbers and the administered and departmental costs. That is, in cases where customer numbers have increased, the administered and departmental costs have increased also and where customer numbers have decreased, the administered and departmental costs have also decreased. Mature age allowance is the only payment type where the direction of change is inconsistent. For this payment, the number of recipients has declined by 15 per cent and administered costs reduced by 17 per cent, but departmental costs have increased by 322 per cent.

In the case of some payments, there are wide variations between the amounts of proportional changes. For example, the number of parenting payment recipients has increased by only five per cent during the period 1996-97 to 2003-04 and four per cent in

relation to administered costs, but the operational expenses as indicated by the departmental costs have increased by 167 per cent.

To shed more light on the changes to payments over the periods before and after the establishment of Centrelink, the proportional changes in customer numbers, administered and departmental costs are calculated for the four-year period prior to Centrelink's establishment and the four-year period after Centrelink commenced. Those payments unable to provide data for these four-year periods (partner allowance, mature age allowance and parenting payment) are not included in the anlaysis.

Table 6.7: Percentage change in number of customers - administered and departmental costs in the four years PRIOR to Centrelink, 1993-94 to 1996-97

	Percentage change in recipient numbers	Percentage change in administered costs	Percentage change in departmental costs
Age pension	6	4	19
Disability support pension	21	30	43
Wife pension	– 16	– 37	– 7
Carer payment	67	72	40
Unemployment payment	– 6	– 24	– 1
Sickness allowance	– 66	– 69	– 62
Special benefit	– 42	– 50	– 39
Family payment	– 1	183	72

Table 6.8: Percentage change in number of customers, administered and departmental costs in the four years AFTER Centrelink, 1997-98 to 2000-01

	Percentage change in recipient numbers	Percentage change in administered costs	Percentage change in departmental costs
Age pension	7	26	122
Disability support pension	13	15	62
Wife pension	– 33	– 28	– 58
Carer payment	68	68	– 60
Unemployment payment	– 22	– 25	– 53
Sickness allowance	– 33	– 7	– 89
Special benefit	24	8	– 68
Family payment	3	32	129

Considered together, tables 6.7 and 6.8 reveal a mixed picture about changes in the number of recipients for a given payment and the associated costs in the periods before and after Centrelink's establishment.

Table 6.7 shows that in the period prior to Centrelink all, but one (carer payment), of the eight payments lists a percentage change in departmental costs that is unfavourable compared to the changes shown for administered costs and customer numbers. For example, in the case of age pension, the number of recipients increased by 6 per cent in the four-year period prior to Centrelink. During the same period, administered costs for age pension increased by 4 per cent, but departmental costs rose by a greater proportion, at 19 per cent. Similarly, for disability support pension, the customer numbers increased by 21 per cent, while administered costs increased by 30 per cent, but departmental costs increased by 43 percent.

In the four-year period following Centrelink's establishment, the results in table 6.8 indicate that Centrelink was able to contain the departmental costs, relative to changes in

customer numbers and administered costs, for five of the eight payments. These payments are wife pension, carer payment, unemployment payment, sickness allowance and special benefit. For example, with carer payment, administered costs and customer numbers continued to rise, by 68 per cent each, but departmental costs have decreased by 60 per cent over the same period. However, those payments for which Centrelink has been unable to limit the increase in departmental expenses (age pension, disability support pension and family payment) involve payments with more customers and higher levels of administered and departmental costs. By way of comparison, the combined populations of wife pension, carer payment, sickness allowance and special benefit, comprised around eight per cent of the age pension population at June 2004. In relation to the growth in departmental expenses for payments with large customer numbers, the number of age pensioners increased by seven per cent and administered costs rose by 26 per cent, yet operational expenses increased by 122 per cent. For family payment, customer numbers increase by three per cent and administered costs rise by 32 per cent, whereas operational expenses increase by 129 per cent. Overall, during Centrelink's period of delivery departmental costs rise to a greater extent compared to the four-year period prior to Centrelink, despite Centrelink being able to contain the growth of departmental expenses for many payments.

Summary

On the basis of the analysis completed in this section it is difficult to conclude that efficiency is improved when delivery is undertaken by Centrelink compared to the previous delivery structure. Departmental costs have increased since Centrelink was established, but this increase does not necessarily mean the purchaser-provider arrangement under which Centrelink and the purchasing department operate are inefficient, as similar results may have taken place had delivery within DSS/FaCS been maintained. However, the results would recommend a hesitant approach to claiming that Centrelink is more efficient in its delivery than DSS.

The picture is not straightforward and many factors are involved in the reasons why payments vary in the costs of their delivery. In charts 6.7 and 6.8, the results indicate that for some payments the delivery by DSS appears to have constrained the departmental increases compared to Centrelink. Yet, with other payments, Centrelink is more successful than the department in reducing the operational costs. In accounting for the growth in departmental costs during Centrelink's period, those payment types that have the higher customer numbers are payments that Centrelink has been unable to constrain in terms of increases in departmental expenditure.

Centrelink's efficiency indicators

Efficiency dividend

In Centrelink's first annual report, delivering a required efficiency dividend is described as a "milestone" (Centrelink 1998, p. 4) and during the early years of the organisation's existence, the efficiency dividend is commonly mentioned by the chief executive officer as an indication of Centrelink's operational success (Vardon 1999c, 2000b and 2001b).

The application of efficiency dividends is not unique to the Howard government, with the previous Hawke-Keating governments also applying measures entailing a clawback to government from the running costs of public sector bodies. Generally, government funding is indexed according to a specific rate, allowing base funding to be increased annually at a pre-determined rate. An efficiency dividend reduces the base rate of indexation, eroding the real value of funding. The efficiency dividend of one per cent, per annum, introduced service-wide on 1 July 1996 shortly after the Howard government attained Office in March 1996, resulted from recommendations of the National Commission of Audit (1996)[15]. The Commission considered that outlays on the operational aspects of all Commonwealth programs could be subject to on-going

[15] The National Commission of Audit was established in April 1996 by the Howard government to advise on public sector finances. The report of the Commission has been criticised for adopting a neo-classical economic approach and some have suggested the report was not impartial, analytical or objective (Argy 1996, Hamilton 1996, Mitchell 1996, Walker 1996).

efficiency gains and that setting minimum and challenging savings targets would drive the cultural change that was needed in the public sector to increase efficiency. For example, the Commission suggested savings in the order of at least 20 per cent over three years could be delivered by rationalising and restructuring the payments structure and systems of DSS and DEETYA. However, efficiency dividends that encompass a continuing effort to limit the operational costs of organisations are problematic for their cumulative impact on funding and the Commission was criticised for not providing the necessary evidence on the capacity of organisations to deliver the required efficiencies (Hamilton 1996).

Given the statement by the Commission about the efficiencies to be gained from restructuring DSS and DEETYA, the introduction of Centrelink was linked to achieving high levels of operational efficiencies. Following negotiations with the Department of Finance, it was agreed that efficiency dividends totaling 16.5 per cent over three years would be delivered, in addition to the on-going service-wide efficiency dividend of one per cent. In the case of Centrelink, the reductions in the funding base were not cumulative over this three years and the overall result would equate to a ten per cent reduction in Centrelink's funding base for what would otherwise have been available in 1999-00.

Close examination of Centrelink's operating performance over the period that spans its first seven financial years reveals a less than positive outcome. Data from Centrelink's annual reports shows that revenue less expenses, including the amount of the efficiency dividend, generally results in negative operating performance. Table 6.9 displays Centrelink's net operating performance, including the amounts of the efficiency dividend.

Table 6.9: Centrelink's net operating results, 1997-98 to 2003-04, (actual $)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Revenue	1,754,000,000	1,793,000,000	1,890,000,000	1,998,497,000	2,094,940,000	2,271,297,000	2,175,704,000
Expenses	1,687,000,000	1,677,000,000	1,654,000,000	1,747,289,000	1,847,782,000	2,064,008,000	2,150,443,000
Operating result	67,000,000	116,000,000	236,000,000	251,208,000	247,158,000	207,289,000	25,261,000
Abnormal items (a)	-58,000,000	-51,000,000	-30,000,000	0	0	0	0
Operating result before dividend	9,000,000	65,000,000	206,000,000	251,208,000	247,158,000	207,289,000	25,261,000
Efficiency dividend	-54,000,000	-96,000,000	-211,000,000	-225,200,000	-240,200,000	-255,000,000	-19,000,000
Yearly net operating result	**-45,000,000**	**-31,000,000**	**-5,000,000**	**26,008,000**	**6,958,000**	**-47,711,000**	**6,261,000**
Cummulative total	**-45,000,000**	**-76,000,000**	**-81,000,000**	**-54,992,000**	**-48,034,000**	**-95,745,000**	**-89,484,000**

(a) The expenses relating to abnormal items are the costs associated with voluntary redundancies taken by staff.

Source: Centrelink annual reports, 1997-98 to 2003-04

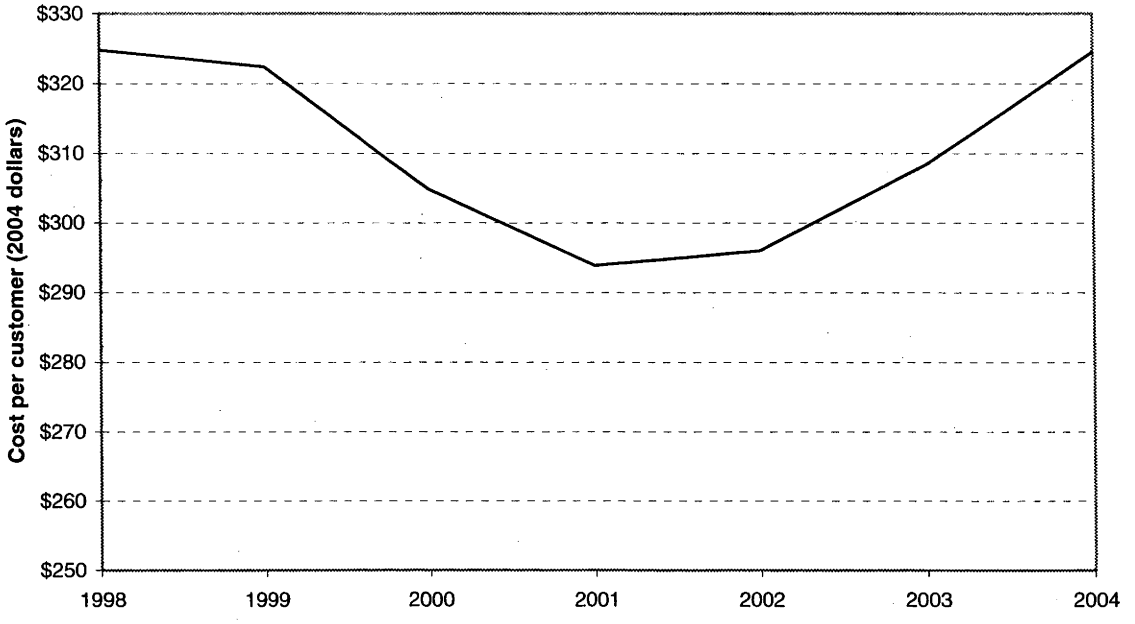
The figures in table 6.9 indicate that in four of the seven periods, Centrelink's net operating performances return negative figures. In addition, when the operating expenses over the period are combined to derive a cumulative total, the operating results indicate total losses of almost $89.5 million over the first seven years of Centrelink's operations. If the amounts in table 6.9 were adjusted for inflation, the operational losses over the period would be greater, at about $103.3 million in 2004 dollar values.

Even if the results for Centrelink's operating expenses were more positive, the ANAO notes the savings options identified to enable the efficiency dividends to be delivered were developed prior to Centrelink "and would have been available to DSS without the establishment of Centrelink" (ANAO 1997, p.57). In addition, the ANAO also finds that given the preparations required to produce the savings, "it would be unlikely that Centrelink would be in a position to make substantial savings had it not been able to build on work already initiated by DSS" (ANAO 1997, p. 58). Such conclusions, although attributing some of the efficiency outcomes to the previous delivery structure, do not take account of the net operating losses incurred by Centrelink in meeting the efficiency dividends. That is, the publicity given to the return by Centrelink of the government's yearly efficiency dividend is rarely linked to the outcome that, on complying with the efficiency obligation, Centrelink was commonly incurring negative net operating results.

Efficiency key performance indicator

Another efficiency measure identified as a key performance indicator for Centrelink is the price per customer (Vardon 1999a, p190). Although this indicator is a useful basic measurement that takes account of inputs in relation to the units of service, Centrelink documents provide no indication of the on-going results for this indicator. The following chart shows the total operating revenue of Centrelink divided by the number of customers at June each year.

Chart 6.11: Centrelink's key performance indicator - price per customer, June 98 to June 04



The number of customers at June each year is a static measurement that does not take account of the flow of customers on and off payment throughout the year. With a higher number of customers, a measurement taking account of the flow would show a lowering of the cost per customer. However, the trend in cost per customer would most likely be similar, that is, a decline in the costs until 2001 followed by increases in each of the following years. After a period of seven years, Centrelink's cost per customer is the same as when the organisation was first established. The initial declines are most likely a result of the reductions in staff that occurred in Centrelink's first three years.[16]

Summary

The net operating results for Centrelink incorporating the efficiency dividend and the key performance indicator of cost per customer indicate that improvements in efficiency have not taken place. Over the period of analysis, the net operating expenses indicate losses

[16] Refer to table 5.1 for the total number of Centrelink staff and the overall number of customers.

and the costs per unit of service have not decreased. This does not suggest the efficiency outcomes are any worse than those that may have been delivered under the previous delivery structures, as there is no way to know of the previous department's responses under the same circumstances. But, it does appear the social security department was setting in place operational directions that it hoped would lead to greater efficiencies, such as computing system upgrades and the identification of a number of joint activities with the employment department to improve efficiencies and benefit customer service (DSS 1994, p. 20). As such, many commentators consider the efficiency capabilites of Centrelink had been set in place by operational directions commenced by the previous structure of delivery.

Conclusion

Reform to the structure of government service delivery is not undertaken lightly, especially on the scale represented by Centrelink. The conviction that enables such fundamental reform to progress is the idea that changing government organisations to allow them to concentrate on core activities provides the opportunity to maximise efficiency.

While Centrelink has remained a part of the Commonwealth, all indications in the beginning were that the agency and purchasing department were positioning themselves for the introduction of competition. Even without a competitive environment for Centrelink's services, efficiencies were expected to arise by removing the double handling of unemployed people by the CES and the social security department. Apart from these savings, the purchaser-provider arrangements under which Centrelink operates is assumed to deliver efficiencies by specifying the services to be produced and measuring the performance in achieving these, thereby establishing an outcomes-focus that redirects processes away from the emphasis on input controls and curbs the wastage believed to be inherent within the combined policy/delivery structure. However, the efficiencies presumed to flow from these arrangements are not certain and the purpose of

this chapter was to explore whether there are indications that improvements in efficiency have taken place since the establishment of Centrelink.

This analysis did not seek to determine the factors that might be responsible for efficiency and whether these related to elements of the reform. On a more preliminary level, the study was aimed at determining whether or not improved efficiency has taken place, as measured by changes in expenditure, taking into account the programs delivered and the number of customers.

For the major payment types, the results show that increases or decreases in administered and departmental costs vary. For most pension payments, administered expenses on a per customer basis have risen as have departmental costs. In the case of allowances, the administered costs per customer tend to decline, perhaps indicating higher levels of part-time employment among workforce age recipients. At the same time, the departmental expenses for allowance payments remain generally stable, although costs have risen slightly in recent years.

In the case of special benefit and sickness allowance, substantial declines in departmental expenses occurred, but these were more likely a reflection of policy changes than the introduction of Centrelink. The situation for parenting payment and family payment showed significant increases in departmental costs per customer. While the administered costs per customer for family payment had also increased considerably, for parenting payment administered costs per customer had declined.

The assessment of Centrelink's performance also considers the proportional changes in costs and customer numbers that have taken place over the evaluation period and compares the four-year period prior to Centrelink with the four-year period following the establishment of Centrelink. These calculations indicate that during Centrelink's period of delivery, departmental costs increased a greater amount compared to the period prior to Centrelink. Overall, during the entire evaluation period, departmental costs increased around 34 per cent during the evaluation period, whereas the overall number of customers

increased by 17 per cent. Despite an official commentary that suggests efficiency gains under Centrelink are being achieved, the conclusion is reached that Centrelink does not appear to be more efficient in its delivery than the previous structure.

Finally, the chapter examined Centrelink's achievement of efficiency dividends and the results of Centrelink's key performance indicator for efficiency. The analysis showed that in operating with reduced funding, because of the application of efficiency dividends, Centrelink generally functions with net operating losses. In relation to Centrelink's efficiency performance indicator of cost per customer, the analysis shows no overall improvement in this indicator from the period June 1998 to June 2004.

Chapter 7: Efficiency and employment programs

Part of the government's intention for reforming employment assistance and establishing the Job Network was to "provide for greater efficiency" (Vanstone 1996, p. 12). Within a short period of time the government was claiming the Job Network was achieving high levels of efficiency. For example, the then employment Minister stated:

> Inevitably, there were transitional problems but within 12 months, 1200 public servants and about 7000 Job Network staff were obtaining 20 per cent better outcomes at up to 50 per cent lower cost than 14,000 public servants operating under the old system. (Tony Abbott, Address to the Institute of Public Administration Australia, May 22, 2002)

This chapter explores whether improved costs efficiencies, such as those indicated by the employment Minister, have taken place since the establishment of the Job Network. In doing so, this chapter considers the types of employment services offered under the previous arrangement and compares this to those provided by the Job Network and the associated costs to the employment department in terms of administered and departmental expenses. Expenses relating to the services transferred from the CES to Centrelink – the registration, assessment, referral and provision of information about employment services to unemployed people – are generally accounted for in the employment departments' annual reports as purchases from Centrelink and are included

in the analysis. In the conclusion to this chapter attention returns to the statement made in this introduction by the employment Minister about the achievements of the Job Network compared to the CES to consider whether or not such claims are substantiated.

Expenditure from annual reports

To provide an initial assessment of the costs of employment programs, the annual reports of the employment department are examined to determine the administered and departmental costs. As with the analysis in the previous chapter of social security programs, the annual reports in the period prior to accrual budgeting isolate the costs of corporate services. As such, a proportion of these corporate costs are attributed to the employment program according to the percentage the employment program represents of the total expenses of the department.

Chart 7.1: Employment services - administered and departmental costs, 1993-94 to 2003-04

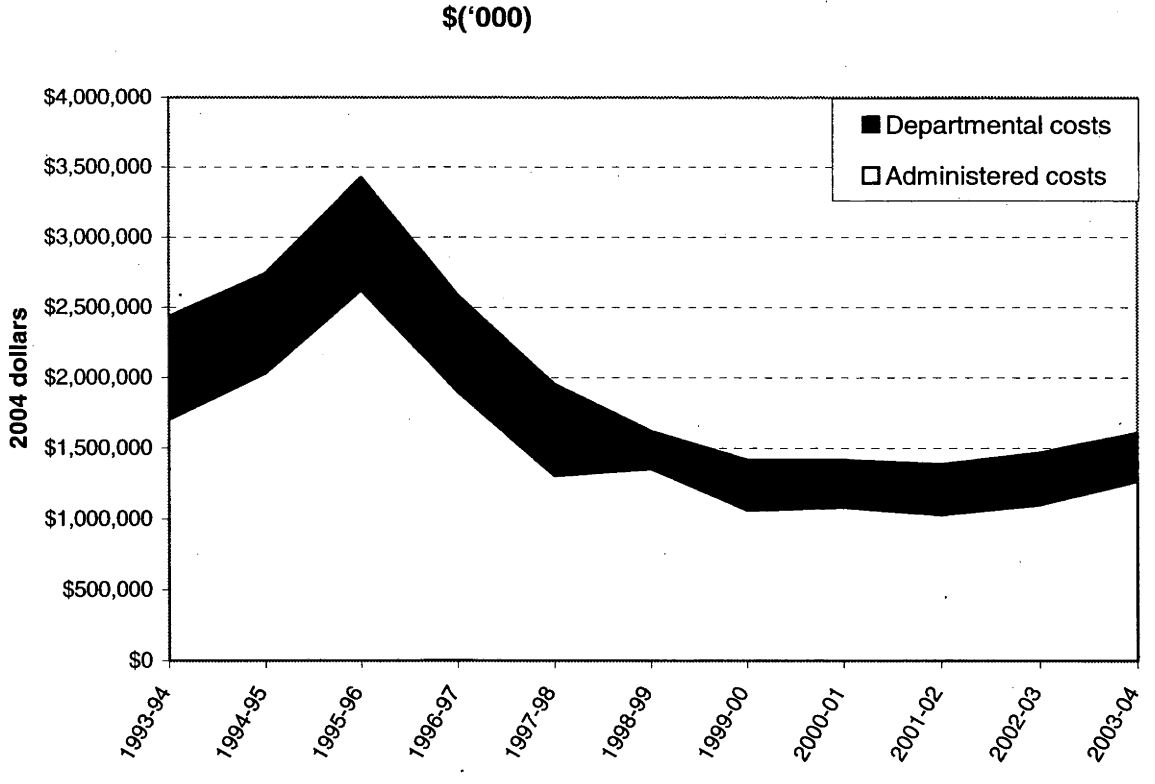


Chart 7.1 shows that in real terms a peak in administered expenses took place in 1995-96. This peak is related to the *Working Nation* measures announced in May 1994 that significantly boosted funding for labour market programs. The chart reflects these increased costs with a rise of around $1 billion in the two years leading up to 1995-96. Following the peak, the total cost of employment services declines from almost $3.5 billion in 1995-96 to just over $1.6 billion in 2003-04. However, this decline was not gradual with the reduction in expenditure concentrated over the period 1996-97 to 1998-99. This period of rapid decline in overall expenditure coincides with the early time of the Howard government, when the *Working Nation* programs were wound back and takes place prior to the introduction of the Job Network.

In chart 7.1 the expenditure related to departmental expenses appears higher before the introduction of Centrelink and the Job Network. A significant decline in the operational costs is noted in 1998-99, followed by an adjustment after which the departmental costs in the period 1999-00 to 2003-04 remain generally stable. The decline may be explained by the substantial change that took place in staffing. In the two years leading up to 1998-99, the employment department underwent significant restructure and staffing numbers fell from a peak of more than 16,000 to less than 4000 by 30 June 1998 (DEETYA 1998b, p. 6). However, a closer examination of the data in the employment department's annual report for 1998-99 raises questions about the accuracy of the figures. This annual report indicates that departmental expenses for the management of the Job Network, the Community Support Program, preparations for the second Job Network tender round, the Australian Job Search service and the management of the relationship with Centrelink, amounts to only $59.1 million. But, in this same financial year, Centrelink's annual report indicates that $100.9 million has been received from the employment department. It is unclear from the employment department's annual report where the amount of $100.9 million is taken account of when only $59.1 million is stated as the departmental costs for numerous programs, including the funding for Centrelink.

To examine the relationship between administered and departmental costs closer, chart 7.2 indicates the percentages that departmental costs represent of the total costs of the employment program.

Chart 7.2: The percentage of the total costs of employment services that comprise departmental expenses, 1993-94 to 2003-04

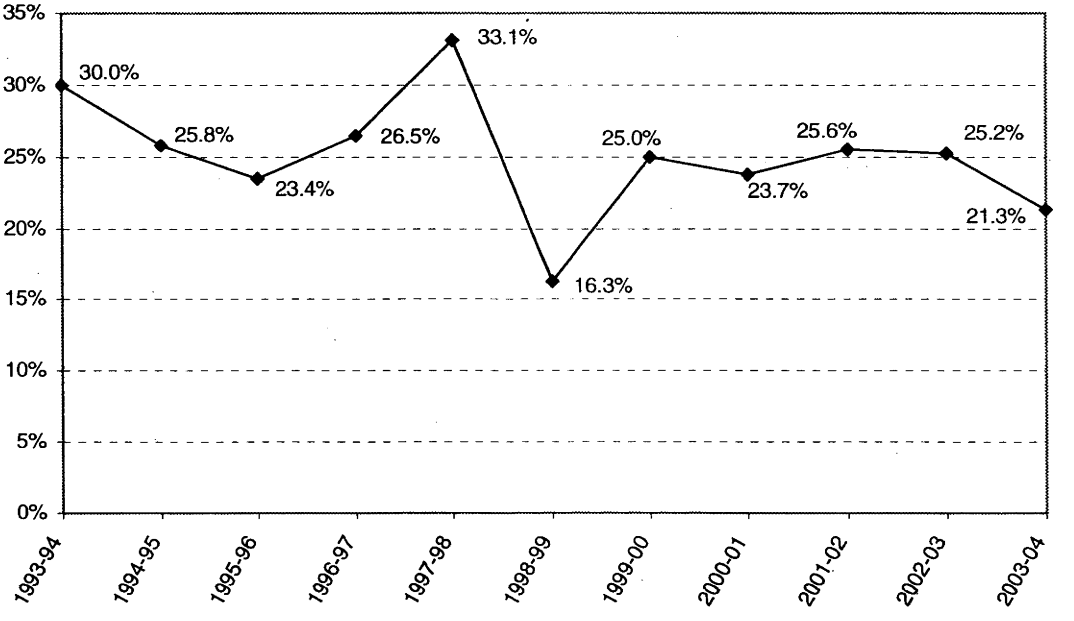


Chart 7.2 shows a substantial variation in percentages coinciding with the establishment of Centrelink and the Job Network. That is, in 1997-98 departmental costs comprise around 33 per cent of overall costs, but this drops suddenly the following year when departmental costs represent around 16 per cent of total costs. However, in this type of analysis, departmental expenses are merely the inverse of those percentages that apply to administered expenses. For example, in 1997-98 significant reductions in labour market programs had taken place, greatly reducing administered expenses and, as a result, a similar amount of departmental expenses as in previous years would comprise a greater proportion of overall expenses.

Another perspective from which to view the changes in departmental costs, and separate them from the influence of administered costs, is to calculate the percentage variation in

departmental costs over the course of the period under study. Chart 7.3 plots the percentage change in departmental costs from the base year of 1993-94. As a point of comparison, the percentage change in administered costs from the base year of 1993-94 is also provided.

Chart 7.3: The percentage change in departmental and administered expenses, 1993-94 to 2003-04 (calculated in real terms using 2004 dollar values)

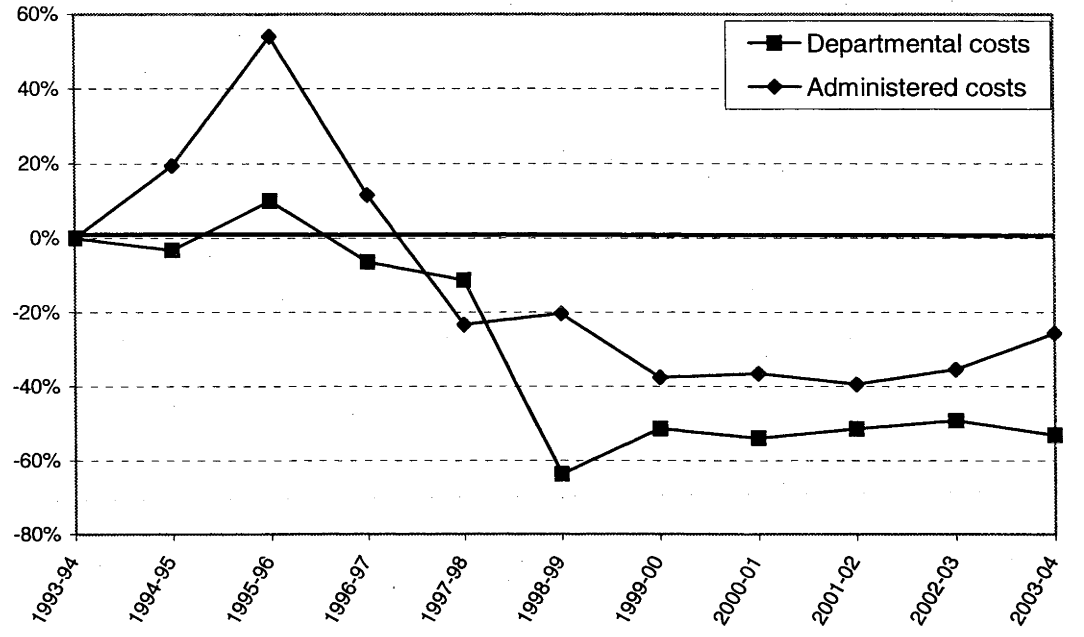


Chart 7.3 more clearly displays the relationship between departmental costs and administered costs and indicates that both types of expenses follow the same general trend. Overall, the departmental costs have decreased by over 50 per cent since 1993-94 and at the same time administered costs have declined by around 25 per cent, suggesting greater operational efficiencies have been achieved. However, both types of expenses begin to decline following the 1995-96 financial year and substantial reductions in costs generally take place before the introduction of the Job Network in May 1998. As previously discussed, the large drop in departmental expenses in 1998-99 may reflect the significant decline in staff numbers, but caution is also warranted in using the figures from the employment department's annual report. From 1999-00 to 2002-03, the administered and departmental costs remain mostly stable.

In the last financial year, 2003-04, administered expenses increase about ten per cent while departmental expenses decline slightly. The 2003-04 financial year involves the beginning of the third employment services contract that introduces a new policy platform for Job Network services, the Active Participation Model (APM). The APM requires specific service requirements for job seekers and these have resulted in expenditure increases[17]. While the employment department highlights record levels of performance outcomes under the APM policy changes, there is debate concerning these outcomes. For example, the ANAO notes the employment department may have improved their capacity to capture data, leading to higher reported job placement outcomes and that outcomes resulting from the job seekers own efforts to find employment, and for which the department is not prepared to pay job placement agencies, are included as placement outcomes (ANAO 2006a).

Specific labour market programs

The analysis thus far is inconclusive about the government's claim that the Job Network is achieving greater efficiencies than the previous arrangement under the CES. Departmental costs during the period of the CES are higher than those relating to the period that the Job Network has been operating, but the CES also experience greater costs for employment programs and the number of job seekers is higher than for the Job Network. To examine more closely the associations between labour market programs and the costs of their delivery, the analysis considers changes to the employment programs throughout the period 1993-94 to 2003-04 and the implication of these changes for the departmental costs associated with the programs.

The introduction of the Job Network in 1998 is variously described as a "radical transformation" (OECD 2001, p11) and that the changes to employment services are "far-reaching" (Productivity Commission 2002, p. 3.2). However, many employment

[17] In the following financial year, 2004-05, the administered expenses for Job Network services increased to $1.385 billion compared to under $1 billion in 2003-04 (DEWR 2005).

programs remain similar to when delivery was undertaken by the CES, with variations relating more commonly to the number of programs available and the names by which they are referred, than to fundamental changes in program designs. This is because, at their core, government funded employment programs, whether delivered by the public sector or private organisations, involve similar activities designed to assist those unable to purchase their own employment assistance. Indeed, prior to the Job Network, the previous government developed a competitive framework for the delivery of case management services to highly disadvantaged job seekers. This involved a separate component of the CES competing with non-government agencies and included oversight by a statutory authority to regulate and promote fair and open competition between the service deliverers.

As with the contracting out of case management services, the types of employment services provided by the Job Network are comparable to the programs that were previously delivered by the CES. The three major services provided by the Job Network – job matching, job search support and intensive assistance for disadvantaged or long term unemployed job seekers – comprise around 90 per cent of the total funding of the Job Network and are the focus of this analysis. A number of other minor programs have remained within the employment department for both management and delivery, but are not included in the analysis. These other programs include employment services to Indigenous people, structural and regional adjustment programs and research and evaluation activities.

Job matching involves gathering information about vacancies from employers and assisting suitable job seekers in the application process. It is the most basic form of employment assistance that is easily connected with the origins of the CES in the post Second World War period when a substantial number of demobilised ex-service people required assistance in being matched to jobs. Job matching is particularly important for certain groups of job seekers who may require early and basic job brokerage services to gain employment, for example, school leavers and women returning to the workforce

following a lengthy break, but this early period of unemployment is largely self-directed by the job seeker.

Assistance with job search techniques recognises that following a period of unassisted job search of around three months, with no successful outcome, greater employment assistance may be required. Job Network providers offer assistance in planning for interviews, writing job applications and preparing rèsumès. The CES operated similar programs to provide job search support, such as job clubs.

The major service provided by the Job Network is intensive support for disadvantaged or long-term unemployed job seekers. This form of assistance comprises the bulk of Job Network funding, demonstrating the priority of publicly-funded employment programs in providing assistance to disadvantaged job seekers. Initially designed to replace the majority of active labour market programs that operated under the CES, such as wage subsidies, formal training assistance, vocational skills programs and case management, intensive support under the Job Network enables providers to be flexible in the types of services offered. In designing this form of assistance to be highly flexible the government believed that providers would be best placed to determine "the optimal mix of assistance needed to obtain an outcome that will not be limited by the constraints associated with current labour market programmes" (Vanstone 1996, p. 29). Although not directly discouraged from offering active labour market assistance, Job Network members face incentive issues to minimise costs and survey research has shown the more expensive forms of intervention, such as wage subsidies, are avoided (Dockery and Stromback 2001; Eardley, Abelló and MacDonald 2001).

Enabling Job Network members to have a high level of discretion in the choice of employment services provided to job seekers raises concerns about the lack of information available on the more successful forms of intervention (OECD 2001; Productivity Commission 2002). For the purpose of this study, it also means that a comparison of the programs available from the CES and from the Job Network must involve a broad approach to classification.

The approach to classifying employment programs for this thesis in a manner that enables comparison between CES employment services and Job Network/Centrelink employment services results in the following broad categories.

Table 7.1: Major classes of employment services, CES verus Job Network/Centrelink

	Commonwealth Employment Service	**Job Network/Centrelink services**
Category one employment services	Active Labour Market Programs (includes all wage subsidies, training and skills development, such as Jobstart, JobSkills, JobTrain, SkillShare, Job Clubs, Mobility Allowance, and case management services)	Intensive Assistance – Job Network Job Search Training – Job Network
Category two employment services	Job seeker registration, assessment and referral (includes job matching, services to employers, self-help facilities)	Job placement support – Job Network Centrelink services

Table 7.1 displays two major categories of employment services. Category one relates to the activities involved in job search training and intensive assistance, while category two encompasses the job brokerage functions of the Job Network and the tasks involved in registering, assessing and referring unemployed people that are provided by Centrelink.

Using the classification outlined in table 7.1, the following analysis allocates administered and departmental funding. Assigning these expenses is not straightforward using the data provided in annual reports. This is because program activity identified as departmental expenses for the CES are subsequently described as administered expenses for the Job Network. For example, in the annual reports covering the period of the CES (1993-94 to 1997-98), case management activities are listed as running costs. However, when the Job Network absorbs these services into the intensive assistance program, the costs become part of the administered expenses that relates to the department's purchase of services from the Job Network.

A further difficulty relates to the amount of financial information provided in annual reports, particularly in later periods as dedicated labour market programs cease and are absorbed into general funding for the Job Network. In the later periods, the annual reports offer a single item of administered expenses to reflect the entire funding provided to the Job Network. Recognising the inexact nature of this expenditure data the ANAO (2005f) recommended the department provide a breakdown of actual expenditure on the Job Network in their annual reports. However, the department disagreed with this view of the ANAO on the basis that the "Job Network is a single programme and is reported as a single programme in accordance with government policy" (2005f, p. 69). The department's argument is linked to the introduction of the Active Participation Model in July 2003 and the combining of job matching, job search support and intensive support into a single continuum of Job Network services. However, the ANAO's request that Job Network payments be identified according to the outcome payment would enable indicative comparisons with previous services.

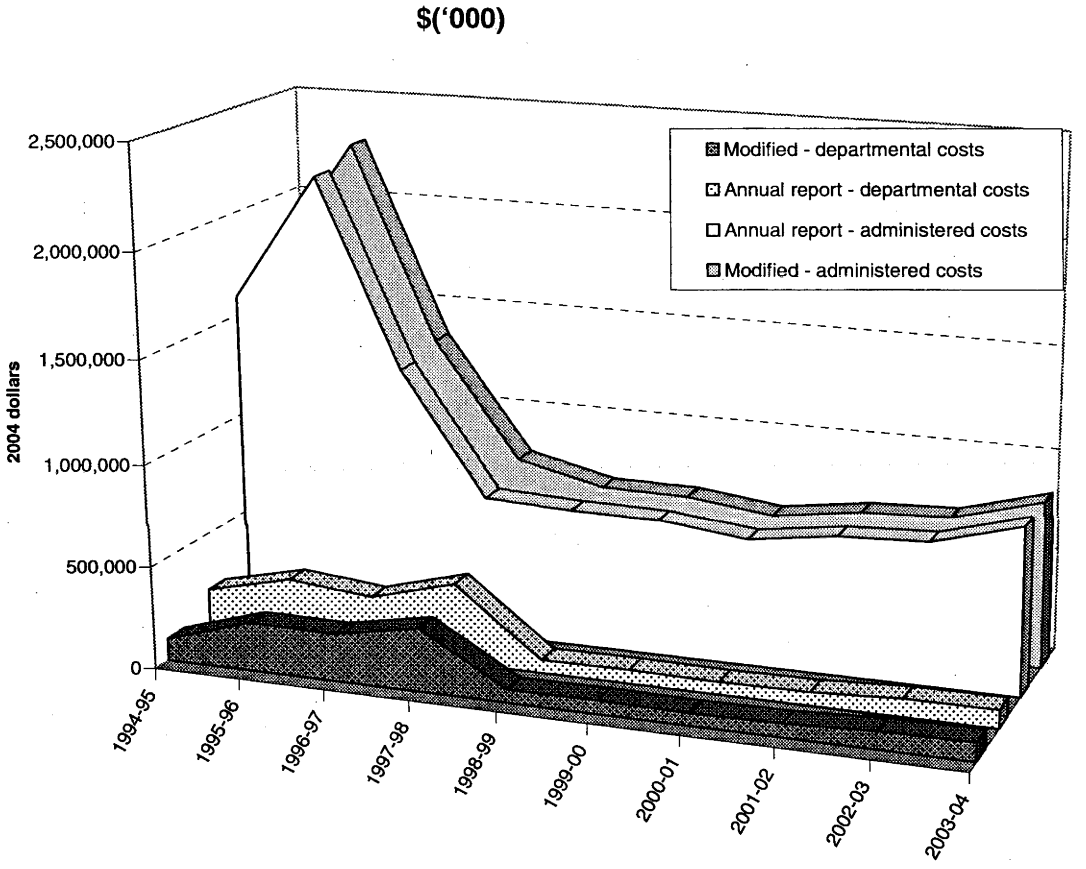
Alternative sources to the annual reports were used to derive the level of funding for the three major services available from the Job Network (ANAO 2005e, 2005f and 2006a; Productivity Commission 2002). Whilst it was generally possible to derive this information[18], a further limitation involves recognising the inaccuracy of data given the discretion available in the Job Network model. For instance, during the period of the first employment services contract, concerns were raised about the cross-subsidisation of funds from intensive support services to the underfunded job matching services (Dawkins 2002, McNally 2003, OECD 2001).

The following two charts display the administered and departmental costs as they appear in the annual reports and also as modified figures where expenses are grouped according to the employment service categories outlined in table 7.1. For example, case

[18] Financial data for the Job Network's three major services was not available for the 2002-03 financial year. Based on the proportions of funding indicated in other years, the total funding in 2002-03 was assigned 75% to intensive support, 10% to job matching and 5% to job search support. The remaining percentage finances other Job Network services such as the New Enterprise Incentive Scheme.

management is listed as a departmental expense in the annual reports during the operation of the CES, but becomes merged with the administered expenses of the Job Network when provided as part of intensive support services. In the modified figures, the costs relating to case management during the CES period are converted to administered expenses to provide continuity in the treatment of these costs.

Chart 7.4: Category one employment services - administered and departmental costs, 1994-95 to 2003-04



Charts 7.4 and 7.5 examine the period 1994-95 to 2003-04 because the 1993-94 annual report did not provide a sufficient breakdown of the costs to enable classification according to the two major classes of employment services used in this analysis.

Chart 7.4 shows that in the case of category one employment services the modified figures are lower for departmental costs during the period that the CES operates than the

figures in the annual reports and higher in relation to administered costs. Given the scale of expenditure shown in chart 7.4, the differences in costs involve substantial amounts. For example, in 1995-96 at the height of the *Working Nation* initiative, the figures indicate the difference in the administered costs for the annual report compared to the modified amount was over $80 million. The costs that cause the difference between the figures in the annual reports and those that have been modified relate to case management services. These services are listed as departmental costs in the annual reports during the period 1994-95 to 1997-98, but thereafter are transferred to administered costs under the Job Network. Overall, as previous noted, sharp declines in both administered and departmental costs take place, but these occur prior to the introduction of the Job Network. Since the introduction of the Job Network costs have remained generally stable, but slight increases are evident in 2003-04 in both administered and departmental expenses, due mainly to the introduction of the active participation model.

Chart 7.5: Category two employment services - administered and departmental costs, 1994-95 to 2003-04

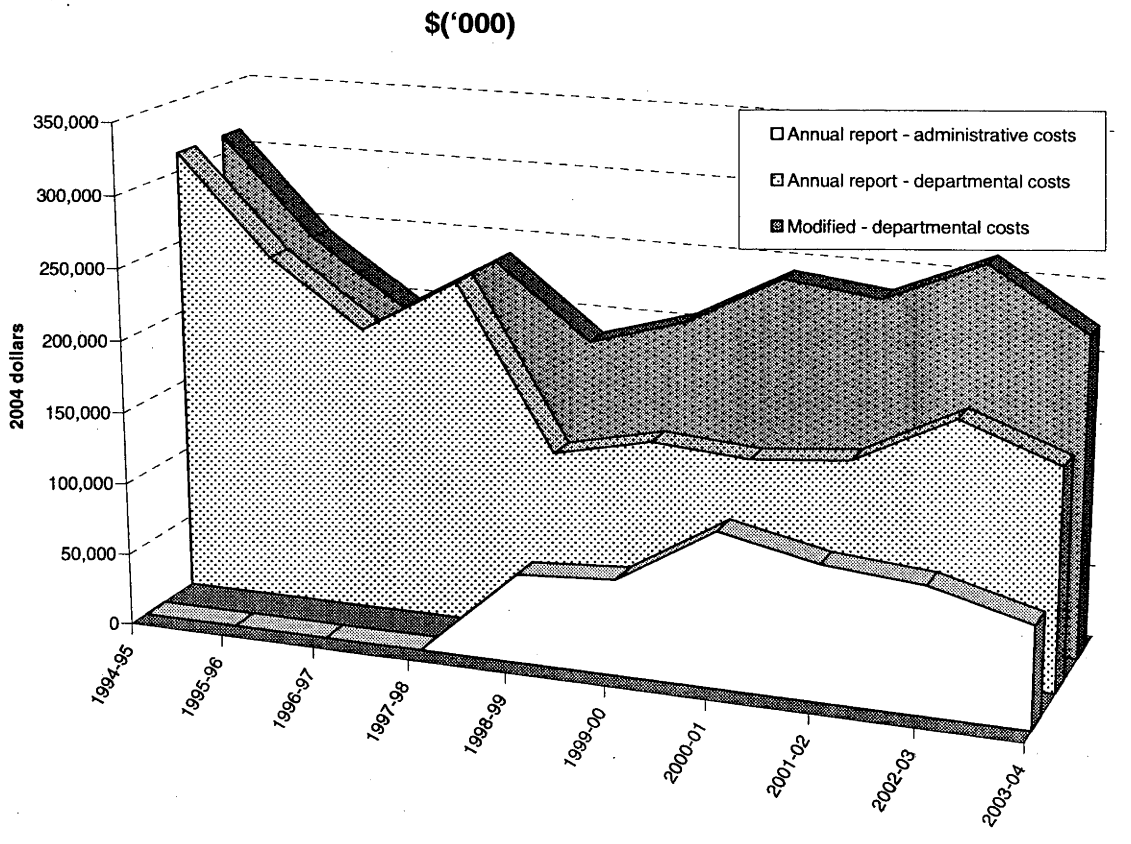


Chart 7.5 reveals the shift that has taken place between administered and departmental expenses for the category two employment services — job brokerage services and the registration, assessment and referral processes. In the period up to 1997-98, the annual reports show amounts are incurred as departmental expenses for these services. However, with the commencement of the Job Network, the amounts related to job brokerage services are recorded as administered expenses in the annual reports. The modified figures, shown as the darker segment in chart 7.5, maintains the expenditure for job brokerage services as a departmental expense. Category two employment services do not show the sharp decline in expenditure that is evident for category one services in chart 7.4. This indicates that category one services, incorporating the active labour market programs, are more susceptible to policy changes and either large injections or withdrawals of funding. Category two services, involving the basic job matching functions and job seeker assessment processes, are more stable in their provision and expenditure over time.

With the introduction of the Job Network and Centrelink, official figures from the department's annual reports show a decrease in departmental expenses. However, this is a result of costs shifting from activities that are departmental in nature during the period of the CES, to administered under the Job Network/Centrelink model. Accordingly, the official decreases in departmental expenses should not necessarily be viewed as the achievement of greater efficiencies by the reformed arrangements.

Costs per customer

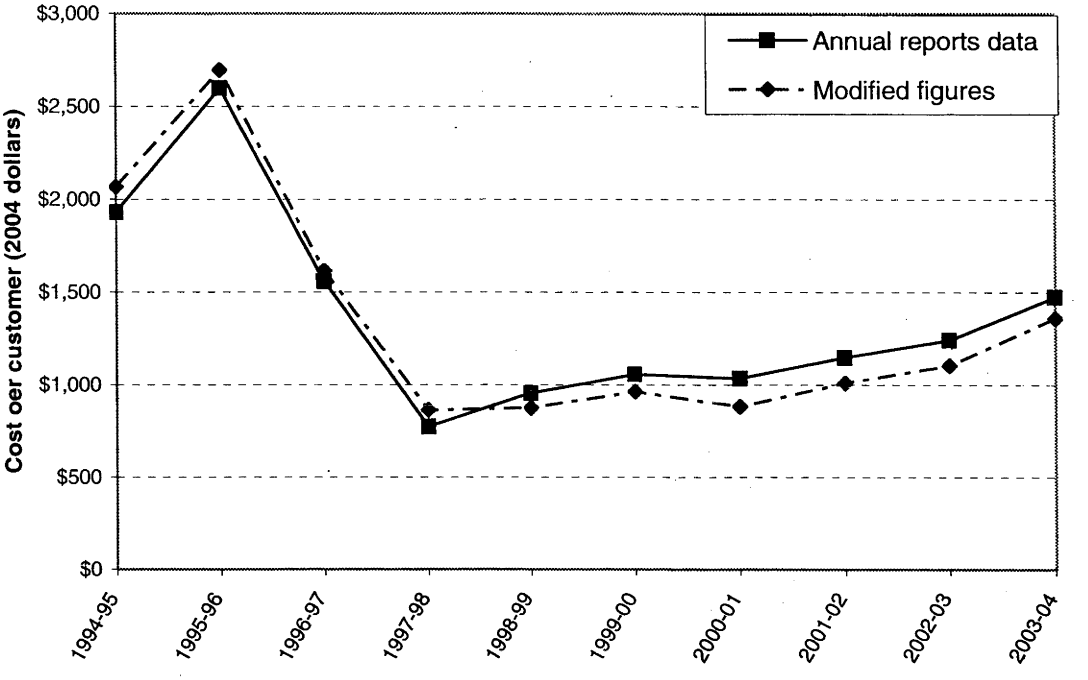
The analysis to this point does not provide an opportunity to determine the efficiency or otherwise of the activities undertaken by Centrelink and the Job Network on behalf of the employment department because the service output is not taken into account. To conclude this section and delve further into the efficiency of the government's expenditure on employment services, funding is tracked over time in accordance with the number of people in receipt of unemployment payments. Using the number of

unemployment beneficiaries is not entirely satisfactory as a greater number of job seekers avail themselves of employment services, but this was also the case for the CES. A limitation in using unemployment beneficiaries as an indication of the output of employment services is that the general rate of unemployment might be low, but may not be a sound indicator of sections of the workforce that are underemployed or are discouraged from employment.

Chart 7.6 displays the administered costs per customers, combining the expenses for the two major categories of employment services[19]. Both the data provided in the annual reports and the modified figures show the costs of the major employment programs on a per customer basis have declined. At their highest level, in 1995-96, the cost per customer of these employment services was around $2650 and this declined within two years to the lowest point at about $700 per customer. As previously indicated, this substantial decline relates to the scaling back by the newly elected Howard government of the *Working Nation* labour market program initiatives. The administered costs per customer have been rising steadily since 1997-98, the year when Centrelink commenced, and in 2003-04 are almost at $1500 per customer.

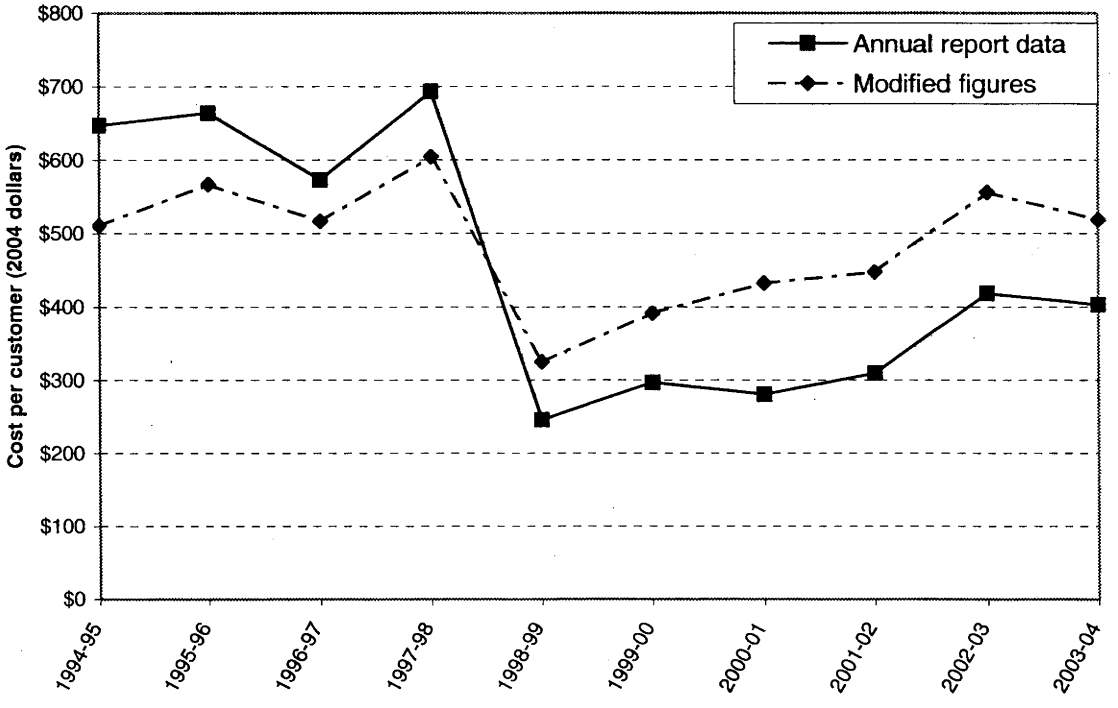
[19] Refer to table 7.1.

Chart 7.6: Administered costs per customer of employment services, 1994-95 to 2003-04



The departmental costs per customer provide a useful guide for the possible achievement of operational efficiencies. The results in chart 7.7 indicate a significant drop in expenses from 1997-98 to 1998-99 and this reflects the significant reductions in staffing that took place while the *Working Nation* programs were being wound back and the portfolio was restructuring with the introduction of Centrelink and the Job Network.

Chart 7.7: Departmental costs per customer of employment services, 1994-95 to 2003-04



The most notable feature of chart 7.7 is that when the modified departmental figures are examined, at the end of the period in 2003-04, the Job Network is costing no less on a cost per customer basis than the CES in 1994-95. Chart 7.7 accounts for changes in the value of the dollar by using the Consumer Price Index and the modified figures show that departmental costs per customer were at $511 in 1994-95 compared to $519 in 2003-04. Moreover, chart 7.7 also shows that since the commencement of the Job Network in May 1998, departmental expenses have risen. Based on the figures in the annual reports departmental expenses per customer have risen from a low of $246 per customer in 1998-99 to $403 in 2003-04. If the modified figures are used, this difference is from $325 in 1998-99 to $519 in 2003-04. These findings do not provide strong support for the claim that the Job Network is more efficient or provides more value for money than the previous structure of delivery through the CES.

Conclusion

Judgements about the efficiency of the Job Network are not straightforward. Prior to the employment services reforms the government substantially reduced the funding for labour market programs and significantly restructured the employment portfolio resulting in sizeable staff reductions. Aside from questions related to the effectiveness of employment services in achieving outcomes for job seekers, the modified figures indicate the Job Network is as costly to administer on a per customer basis with less program funding per customer to apply.

In 1994-95, the peak period for the *Working Nation* initiative, the departmental costs in running active labour market programs, including case management services, was around $107 million and expenditure on these programs was around $1.7 billion[20]. This compares to 2003-04 where the cost of purchasing similar Job Network[21] services amounts to $80 million with administered costs of $851 million. This means that in 2003-04, the program expenditure on similar employment programs had decreased by around 50 per cent since 1994-95, yet the cost to the department of managing these programs had reduced by 26 per cent. At the same time, in June 2004, the number of unemployment beneficiaries has declined by around 29 per cent from June 1995.

With significantly less program costs and less unemployed people in 2003-04, it is expected the Job Network would not require the same level of funding as provided to the CES in 1994-95 to manage active labour market programs. Whether a 26 per cent reduction in the department's operational costs is sufficient to constitute a more efficient structure of delivery than the CES, in light of the reduced customers and program expense, is debatable. In addition, it must be recognised that Job Network providers would be using a proportion of their administered funding to carry out their own operational costs, such as salaries for employees, and as profits for their businesses. It would therefore be expected that in 2003-04, the operational costs for active labour

[20] Amounts are converted to 2004 dollars using the Consumer Price Index.
[21] Job Network services similar to active labour market programs are job search training and intensive assistance.

market programs is greater than just the $80 million departmental costs incurred by the department, with a proportion of the $851 million relating to the purchase of Job Network services also being spent by Job Network providers on operational requirements.

For the Job Network, claims of efficiency are often based on the reduced amount of program expenditure that is provided to Job Network members, combined with improved employment outcomes. However, the strong economic conditions, and associated lowering of the unemployment rate, that have prevailed since the commencement of the Job Network complicates conclusions about the effectiveness of the system. In dealing with about half of the previous expenditure for labour market programs and about a third less people in receipt of unemployment payments since 1994-95, the Job Network should cost less to operate. However, a close examination of the figures in the annual reports indicates costs for similar programs have shifted in being classified as administered or departmental since the time of the CES. When the figures are transposed to provide for consistency in being treated as either an administered or departmental expense for the entire period of the assessment, the modified figures indicate the Job Network is as costly to manage and deliver on a per customer basis as the CES, with about a quarter less in program funding to apply per customer.

Claims the Job Network is achieving greater efficiencies than what was being achieved by the CES should be examined closely, particularly when figures are provided. For example, if the employment Minister's statement provided at the beginning of this chapter is scrutinised, that in 2000 "around 1200 public servants and 7000 Job Network staff were obtaining 20 per cent better outcomes at up to 50 per cent lower cost than the previous structure that employed 14,000 public servants" (Abbott 2002), a different picture emerges. In terms of staffing, the 1999-00 employment department's annual report notes that around 1626 full-time staff equivalent were employed in the portfolio's management of employment programs, added to the more than 3000 staff that had been transferred to Centrelink to undertake duties that would previously have been done by the CES, in addition to the number of Job Network staff of around 7500, as calculated in Chapter 5, and the figure is around 12,000, not the 8200 suggested by the Minister. In

relation to the "better outcomes", the employment department has acknowledged that early net impact studies contained methodological problems that exaggerated the employment outcomes of Job Network programs. Also, attributing program success to the Job Network is tenuous when taking account of the variety of influences that impact on employment outcomes, such as the positive economic conditions that have existed since the establishment of the Job Network. Finally, the cost mentioned by the Minister relates to the entire costs of employment programs and does not isolate the operational costs involved in delivering employment programs – costs that provide a more meaningful account of organisational efficiency. It should also be noted the program costs of employment services had been significantly reduced prior to the commencement of the Job Network, so the level of funding, and therefore the appearance of savings, would also have been the case had the CES been maintained.

Chapter 8: Cross-sectional analysis – the efficiency of Centrelink and the Department of Veterans' Affairs

In examining the delivery of social security programs, the figures relating to departmental costs of income support in chart 5.3 of Chapter 5 indicate that an overall increase of around $542 million has taken place during the period 1993-94 to 2003-04. This result does not necessarily mean the purchaser-provider arrangement of Centrelink and the social security department is less efficient in its delivery of income support programs than would be the case with delivery through a combined policy and service delivery department. Rather, these figures may indicate that government income support programs are becoming more complicated to deliver and the increases in costs would have occurred if the previous structures had been maintained. To investigate further, this chapter examines the delivery by the Department of Veterans' Affairs (DVA) of payments to service pensioners and compares this to comparable payments — the delivery of age pension and disability support pension by Centrelink.

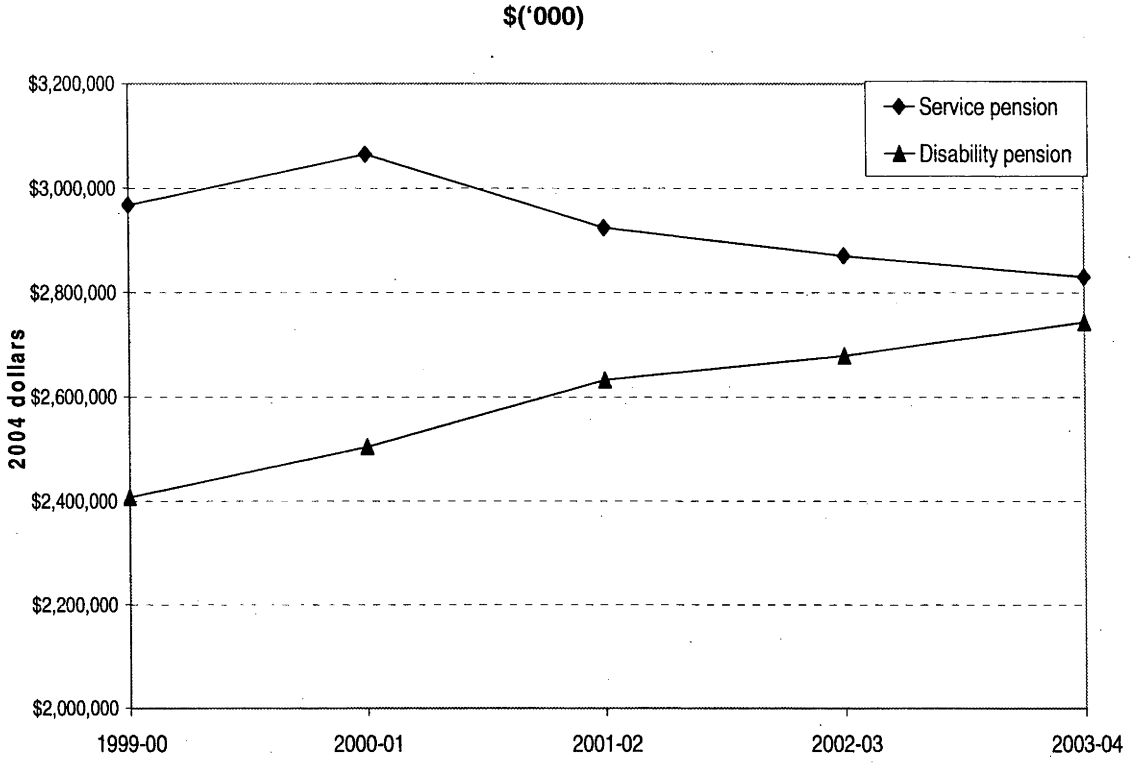
To avoid issues involving Centrelink's early period of substantial restructure, the period chosen for comparing the organisations is the five-year period commencing 1999-00 to 2003-04. This period also begins when accrual accounting standards are adopted

throughout the Commonwealth and the outputs/outcome framework commences. As such, there is no requirement to modify program costs by attributing an assumed value of corporate services to the programs. This period also coincides with stability in the design of the payments to be compared and the operational structures that manage these.

To deliver comparative findings, programs within Centrelink and DVA that have the greatest similarities are chosen. In the case of Centrelink's payments, the age pension and disability support pension are recognised as similar to the payment of service pensions and disability pensions provided by the veterans' affairs portfolio. The service pension is paid to veterans, including the partners or widow(er)s of service pensioners, on the basis of age or invalidity. The 'age' service pension is payable at age 60, compared to the Centrelink age pension at age 65 for men. If the veteran is permanently incapacitated (for whatever reason), the 'invalidity' service pension is paid at any age. In the case of the DVA disability pension, the incapacity of the veteran must have resulted from war or peacekeeping service.

Using a similar method of analysis as applied in the previous chapters, the administered and departmental costs associated with the payments delivered by DVA are tracked over the period 1999-00 to 2003-04 and the figures converted to 2004 dollar values using the Consumer Price Index. This provides an indication of the expenses that DVA are managing and trends that may be developing. Chart 8.1 displays the administered costs of the service pension and the disability pension.

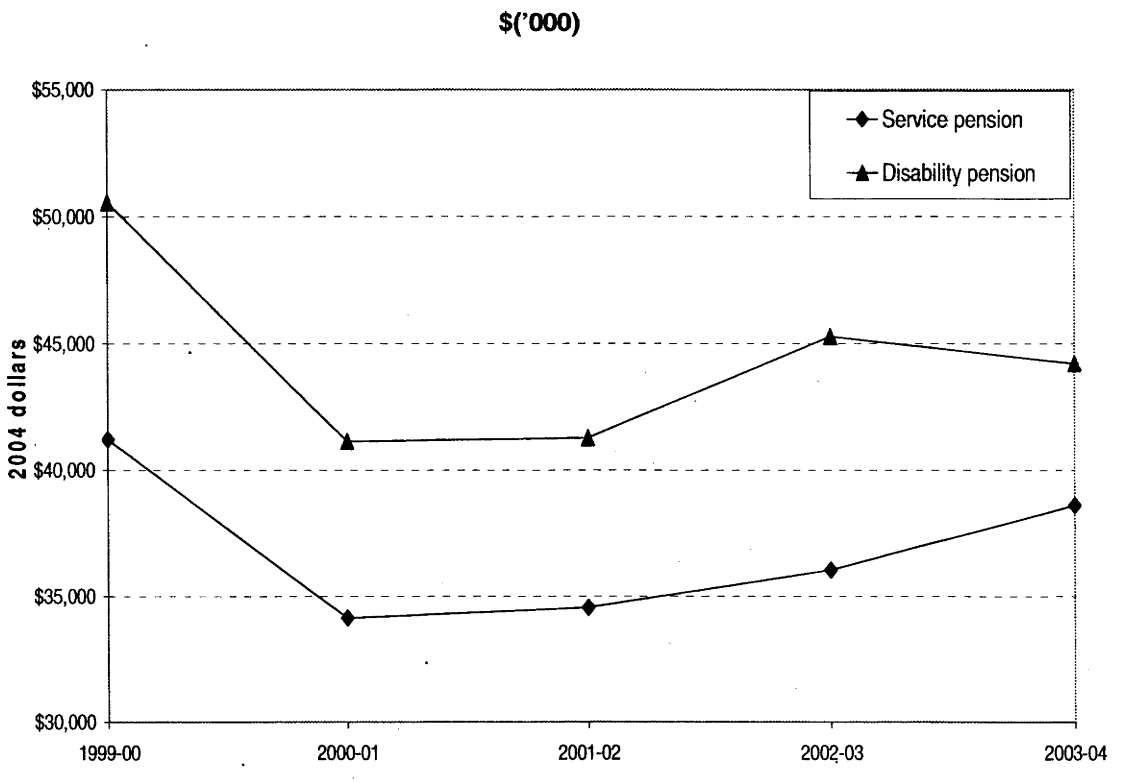
Chart 8.1: Administered costs of DVA service pension and DVA disability pension, 1999-00 to 2003-04



In chart 8.1 the lowering of administered costs for the service pension reflects the declining population of DVA service pensioners. The rise in expenditure for the 2000-01 financial year for the service pension relates to the payment of the aged persons savings bonus that was provided to compensate older people with savings by maintaining the value of these savings upon the introduction of the goods and services tax in July 2000. For the disability pension, the annual report notes that while the number of disability pensioners is decreasing, the profile of the recipients is changing and this involves greater degrees of service-related incapacity and higher rates of payment (DVA 2003, p. 57).

Chart 8.2 reveals that following substantial reductions in 2000-01, the operational costs of providing DVA service pensions and disability pensions tend to be gradually rising over recent years.

Chart 8.2: Departmental costs of DVA service pension and DVA disability pension, 1999-00 to 2003-04



The DVA annual report (DVA 2003, p. 46) notes that for both the service pension and the disability pension, the higher departmental costs in 2002-03 and 2003-04 reflect the implementation of new policies, such as aligning pension assessments with the trusts and companies legislation, and expenses related to the development and implementation of new information technology systems.

As an initial indication of the overall efficiency of DVA's delivery of income support compared to that of Centrelink's age pension and disability support pension, the proportion that departmental costs comprise of the total costs of the payments are calculated.

Table 8.1: Payment types - percentage of total costs that consist of departmental costs, 2003-2004

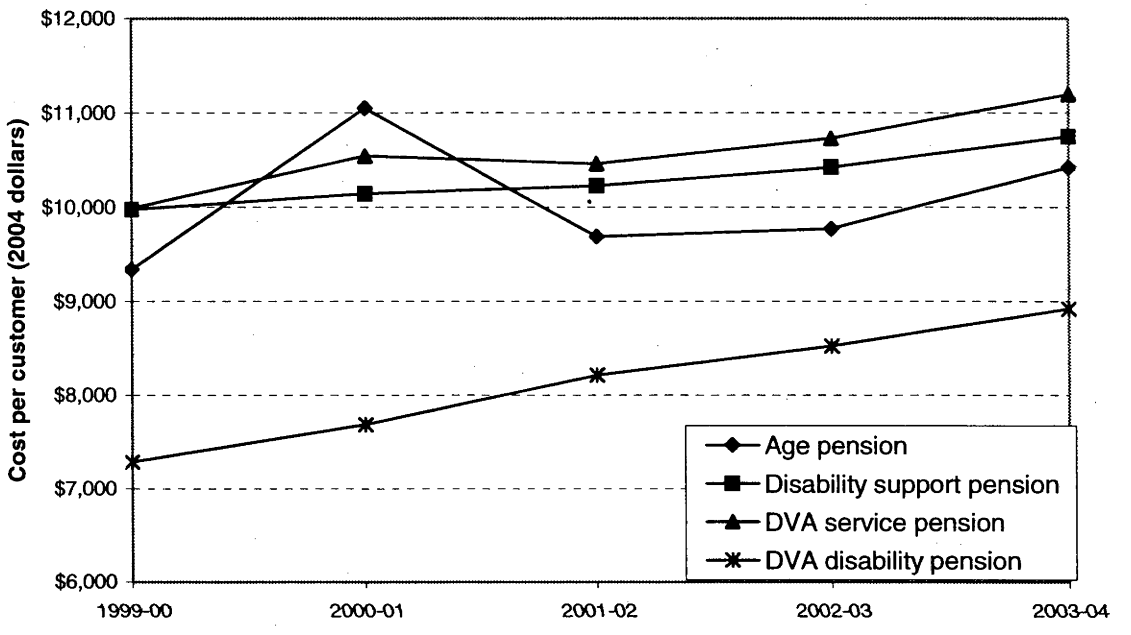
Payment	Departmental cost $('000)	Total costs $('000)	Percentage
DVA service pension	38,611	2,869,129	1.3
DVA disability pension	44,209	2,787,813	1.6
Centrelink age pension	244,025	19,797,345	1.2
Centrelink disability support pension	258,068	7,750,600	3.3

Table 8.1 shows that those payments with the higher rate of departmental costs, as a percentage of total expenses for the payment, are the disability payments. This is not surprising given the more complex levels of assessment required for the claimants' disabilities. However, the proportion that departmental costs comprise of the total costs for Centrelink's disability support pension are much higher at 3.3 per cent compared to the 1.6 per cent for DVA's disability pension. The lowest percentage applies to Centrelink's age pension, although at 1.2 per cent, the result is very similar to the DVA service pension at 1.3 per cent. With DVA's service pensioner population at June 2004 around 13 per cent of Centrelink's age pensioner numbers, it is expected that Centrelink would be able to achieve greater economies of scale. With much smaller customer numbers it would be more difficult for DVA to maintain lower departmental costs as a proportion of the total costs of the payments. For example, the cost of information technology development can be expensive and DVA has a much smaller customer base to spread these costs among. However, in comparison to the Centrelink figures in table 8.1, DVA achieves similar results or, in the case of the disability pension, better results.

For a consideration of Centrelink's and DVA's management of their pensions in relation to the number of recipients, a useful comparison considers the costs per customer over

the period 1999-00 to 2003-04. Chart 8.3 displays the administered costs per customer for each of the four pensions, providing a picture of the level of funds the organisations manage for each pension type.

Chart 8.3: Administered costs per customer of Centrelink and DVA pensions, 1999-00 to 2003-04

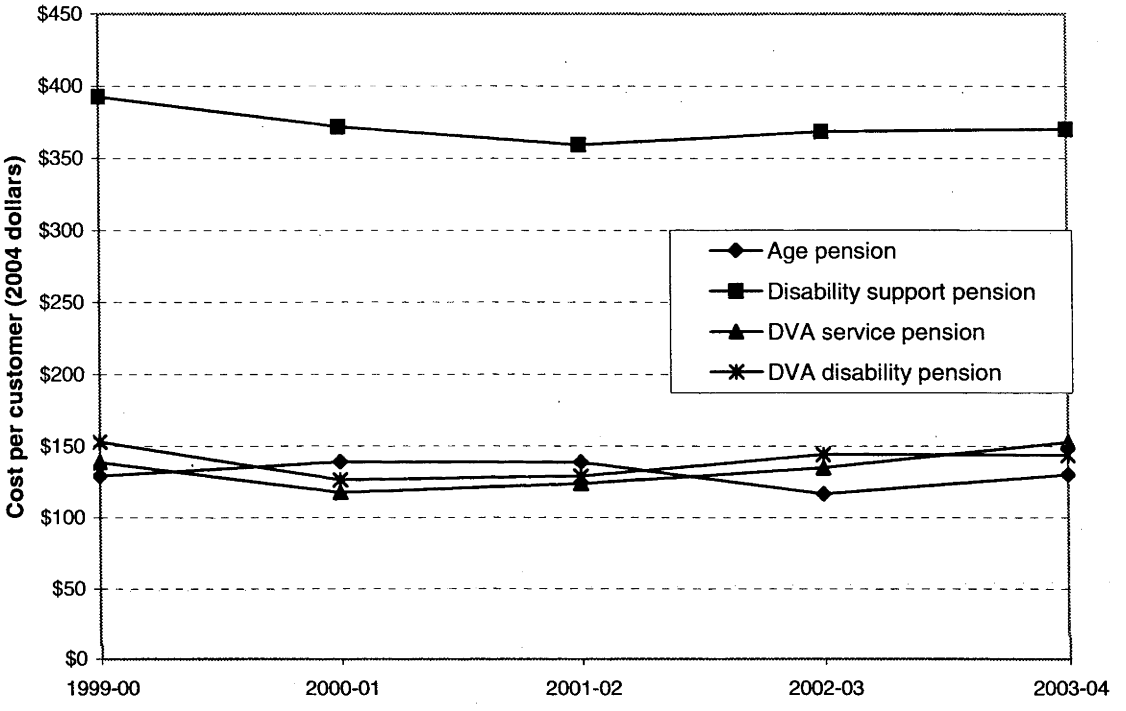


In all cases, chart 8.3 shows the administered expenses on a per customer basis have been increasing over the period 1999-00 to 2003-04. These increases reflect the more generous pension income test for both Centrelink's and DVA's pension payments that came into effect with the tax reform measures on 1 July 2000. Both the age pension and service pension show an increase for the period 1999-00 to 2000-01, indicating the increased administered costs associated with the one-off payment of the aged persons savings bonus, another compensatory item of the tax reform measures.

The departmental costs per customer are a barometer of the organisations' management of their payments and provide a strong indication of the operational efficiencies. For the age and disability support pensions delivered by Centrelink, the departmental costs

provided in chart 8.4 include the oversight and policy development undertaken by the purchasing department (DSS/FaCS).

Chart 8.4: Departmental costs per customer of Centrelink and DVA pensions, 1999-00 to 2003-04



Overall, the departmental costs per pensioner are reasonably stable for all payments, but the costs relating to Centrelink's disability support pension are significantly higher throughout the entire period and are in excess of double the level of departmental expenses per pensioner for the other payment types. There are a number of factors that explain the higher levels of departmental expenses per Centrelink disability support pensioner compared to the other payments. With disability support pension, the government has been mindful of the rapidly increasing number of recipients that came onto the payment during recent years. Accordingly, the assessment process has become detailed and recipients are subject to continual review and reassessment procedures. Given the greater scrutiny of the medical condition of disability support pension claimants, compared to the scrutiny that may befall disabled veterans, decisions on the

payment are subject to a high number of both internal and external appeals, further increasing the operational costs associated with Centrelink's disability support pension. Finally, the close association of the disability support pension and unemployment payments means that a greater emphasis may be placed on the rehabilitation of recipients and maximising opportunities to participate in social and economic activities, compared to veterans in receipt of a DVA disability pension.

Conclusion

In using DVA as a comparative delivery structure against the FaCS-Centrelink arrangement, on the balance of figures presented it is difficult to conclude the purchaser-provider model is more efficient than a structure that combines policy and delivery within the one organisation. The departmental costs per customer indicate that operational expenses have generally remained stable across all payment types, with Centrelink spending about the same amount of money to deliver the age pension as DVA does to deliver service pensions. The payment with the highest expenses to operate is Centrelink's disability support pension, but the reasons for this may have more to do with the policy behind the payment and the complexities of the assessment, review and appeals process, than the way Centrelink manages the delivery of the payment.

Chapter 9: Measuring customer satisfaction

In this thesis, the effectiveness of the services provided by Centrelink and the Job Network is defined and measured according to the levels of satisfaction that job seekers have with the services delivered. This approach is consistent with the view of Fornell (1992, p.18) who notes that quality improvements not recognised by the customer are questionable and that "accordingly, the most meaningful measurement of quality is how it affects customer satisfaction". But, such measurements are only meaningful if the nature of customer satisfaction is understood and issues related to its measurement appreciated.

In the first instance, this chapter explores the theoretical dimensions of customer satisfaction. In doing so, the determinants of customer satisfaction and how they interact with the closely related idea of service quality are examined. The chapter then investigates the ways that service quality and customer satisfaction are measured by outlining different models used to frame the measurement of satisfaction, identifying common elements of service that are taken account of by customers in their assessments of satisfaction and the ways in which data on customer satisfaction is obtained.

In examining the concept of customer satisfaction and its associated measurement issues, this knowledge is applied in Chapter 10 to a methodical study of the survey instruments

that gather data on job seekers' satisfaction with Centrelink and the Job Network. The analysis of the findings of the customer satisfaction survey instruments is undertaken in Chapters 11 to 13 of this thesis.

Theoretical background

Introduction

Although discussions of marketing are found in the texts of ancient Greece (Shaw and Tamilia 2001), the more recent academic interest in marketing thought, as the body of literature from which customer satisfaction and service quality research has developed, is traced to the late-nineteenth century. In this period, marketing theorists recognised the viability of firms was strongly reliant on customers as consumers of their products (Dixon 1999). The early marketing researchers studied the processes that took place in a market exchange using a common economic framework and concentrated on issues particular to the marketability of commodities. For example, investigations into consumer choice sought to identify the benefits of products and measure how important these features were for consumers.

Towards the mid-twentieth century, a rapid proliferation in the marketing literature took place. In order to more fully understand what motivates consumer decisions, analysis expanded to incorporate theories on human behaviour (Shaw and Tamilia 2001). This period also coincides with an expansion in the production of consumer goods and, in many cases, there was little to differentiate product brands. As such, understanding the reasons for the purchase decisions of consumers became an area of strong interest, particularly for the business community. Accordingly, the marketing literature developed a strong business orientation and studying the concept of consumer satisfaction and the significant effect this had on purchase intentions became widely researched from the 1950s onwards. In the 1970s, such emphasis grew stronger and, with the growth of the service industry, analysis expanded to examine issues around service quality, as compared to product quality, and the linkages that service quality has with customer satisfaction.

Customer satisfaction and service quality became aligned with measurements of market success and as important indicators of profitability (Andreassen 1994). The 1970s business dictum of "market share maximisation", in which a company's share of the market is measured relative to competitor companies, developed as a key strategy and the role of customer satisfaction and service quality in retaining customers and attracting new customers was a key component (Fornell 1992).

Today the field of marketing science is broad and specific areas of research have developed in subjects such as competitive responsiveness, strategic pricing strategies and the use of Internet technology in virtual shopping. Many authors comment on the expansive nature of the literature and the extent that there is confusion (Brady and Cronin 2001; Cronin and Taylor 1994; Shaw and Tamilia 2001). The literature presents alternative views on the constructs of customer satisfaction and service quality and often uses multiple terms to describe the same function. For example, the components of the *expectancy-value approach* to isolating the determinants of human behaviour have been variously described as performance vector, force, behavioural potential, aroused motivation, subjective expected utility or attitude (Mazis, Ahtola and Klippel 1975, p. 38).

Concerns by those who study current marketing theory are expressed for the lack of original direction being applied or that a cohesive framework is missing. For instance, such concerns are reflected in Shaw's and Tamilia's article on the history of marketing thought that states "we spend too much time spinning our wheels in a semantic jungle that grows with each new generation" (2001, p. 162). Shaw and Tamilia are also concerned with the specialist sub-disciplines of marketing theory that have developed as isolated areas of study without attending to the need for how these fit into a unified theory of marketing (2001, p. 161). Whether or not such a unified theory is warranted is unclear. However, understanding concepts such as customer satisfaction and service quality, and the methods that identify and measure these concepts, is central to this thesis

given that the customer satisfaction levels of job seekers is being used as the key criterion in evaluating the service effectiveness of the Centrelink and Job Network arrangements.

Customer satisfaction and service quality

The idea that improved service quality is reflected in a higher level of customer satisfaction is common. However, the relationship between customer satisfaction and service quality is complex and it may not necessarily be the case that increased customer satisfaction reflects higher levels of service quality. To understand why this may be the case, the constructs of customer satisfaction and service quality and their interrelationship are explored.

Customer satisfaction research is that component of marketing theory that considers the factors that influence customers' subjective evaluations of the favourableness, or pleasure, of products and services (Babin and Griffin 1998). In this process, research on the determinants of customer satisfaction generally emphasise the role of expectations and performance. At one level, expectations operate as anticipation and are considered a direct influence on satisfaction (Szymanski and Henard 2001). However, a more commonly held view is that expectations are part of a comparative process that combines with the perceived performance of the product or service to form customer satisfaction levels. This widely accepted account of the formation of satisfaction judgements is variously called the gap theory, the comparison standards paradigm or the disconfirmation paradigm.

Several pre-consumption standards have been developed, but the most common model adopted uses predictive expectations. In this model, customer satisfaction is derived when prior expectations are compared with the perceived performance of a product or service. Three evaluative outcomes are possible in the model. First, the perceived performance of the product or service will match the prior expectations and the confirmation will result in a neutral impact on satisfaction. Second, the perceived performance of the product or service will exceed prior expectations and the resulting positive disconfirmation will

increase the level of satisfaction. Lastly, perceived performance will be inferior compared to prior expectations and the consequent negative disconfirmation will lower the level of satisfaction. In this way, customer satisfaction is linked to consumers' perceptions of whether their experience with a product or service has no impact, or, positively or negatively, disconfirms their pre-experience expectations.

The less common pre-consumption standards incorporate the use of different expectations such as equity expectations that are based on notions of reasonableness or experience-based expectations that result from personal experience or the experience of others (Fournier and Mick 1999). In addition, researchers may consider the impact of other attributes in the process of satisfaction formation. For example, satisfaction judgements may be modified in the case of product or service failure where the consumer believes the provider had no control over the outcome or where the failure was an unusual event (Bitner 1990).

The disconfirmation paradigm identifies expectations and perceived performance as separate, but related constructs to customer satisfaction. In this relationship, expectations and perceived performance form two key antecedents of customer satisfaction. That is, expectations and perceived performance are important preceding events that combine in a post-product/service evaluation to form customer satisfaction. If perceived performance is high and exceeds expectations then a customer is likely to be very satisfied. However, when perceived performance is low and falls short of expectations, then a very dissatisfied customer is likely.

Whilst traditional marketing theorists argued that firms should meet or exceed customer expectations to achieve higher levels of customer satisfaction, the disconfirmation framework cautions product and service providers about raising expectations and how this may be detrimental to an organisation's success. Falling short of expectations, regardless of the quality of the product or service, may result in lower levels of satisfaction and the possibility of customer exits. Given this possible outcome, Sheth and Mittal (1996) argue that, rather than fulfil or exceed customer expectations, firms should

concentrate on approaches directed towards shaping customer expectations and so avoid false expectations that could lead to dissatisfied customers and lowered profitability.

In the same way, the disconfirmation paradigm posits that increased customer satisfaction does not necessarily reflect increased levels of service quality. Instead, it may be that expectations decline and the service experience becomes more highly rated despite no objective changes in quality taking place.

Similar to the caution that organisations should not necessarily meet or exceed customer expectations, Fornell (1992) questions the substantial literature linking customer satisfaction with market share, and therefore, profitability. Although profitability is not generally applicable to public sector activities, the value of Fornell's work is how specific strategies may function to improve customer satisfaction and such strategies are applicable to either public or private sector services. In his analysis, Fornell (1992, p. 8) associates market share with measures that evaluate customer numbers in relation to competitors, whereas customer satisfaction is generally measured from the consumer perspective and involves changes in customer retention. Fornell (1992) proposes that loyal customers are not necessarily satisfied customers and that devising defensive strategies to lessen customer exits, such as functional complaints management systems, can lead to profitability. Furthermore, Fornell (1992) considers defensive strategies to be less costly than offensive strategies. For example, the offensive strategy of improving customer satisfaction, that ultimately aims to increase market share by taking consumers away from competitors, is considered expensive and not straightforward given the multiplicity of factors that impact on the formation of satisfaction.

The disconfirmation paradigm generally positions consumers in a cognitive evaluation framework that assumes the consumer responds as a 'rational man' in processes that compare pre-consumption expectations with post-consumption performances (Carroll 2004). More recently, research has included the impact of affective components in satisfaction judgements. This influence is commonly linked to the experience of consumption and the emotions that take place are believed to have an affective impact on

memory and become integrated into assessments of satisfaction (Szymanski and Henard 2001).

Fournier and Mick (1999) present a contingency view on the formation of customer satisfaction that highlights the importance of sociocultural factors and affective responses. The contingency perspective enables context and meaning unique to the individual consumer to frame the satisfaction experience. The authors use empirical methods that are based on lengthy, unstructured interviews that permit meanings and emotions to be explored, and conclude that it is not meaning-deficient comparison standards that impact most on satisfaction formation, but a blend of cognitions, motivations, emotions and meanings, embedded in a context setting (Fournier and Mick 1999, p. 15).

Although the consumer marketing literature can lead to confusion in the relationship between consumer satisfaction and service quality, distinct meanings can be found (Bitner 1990; Bolton and Drew 1991; Boulding, Kalra, Staelin and Zeithaml 1993; Brown and Swartz 1989; Cronin and Taylor 1992, 1994; Roch and Poister 2006 and Teas 1993). The standard approach is to regard customer satisfaction as a short-term, transitory judgement that is made on the basis of a specific encounter. Service quality, on the other hand, represents a longer-term attitude that forms the basis of an overall or general conclusion about a service and may develop following multiple encounters. However, no agreement is found on whether customer satisfaction is reliant on the level of service quality; that service quality is a result of customer satisfaction; or, that some other influences are responsible (Burns, Graefe and Absher 2003).

The emerging consensus appears to be that just as expectations and perceived performance are antecedents in the formation of customer satisfaction, satisfaction becomes an antecedent to service quality. That is, satisfaction operates as a function from a prior period that mediates the formation of the current perception of service quality (Cronin and Taylor 1992). Bolton and Drew (1991) form a distinction in which customer satisfaction is the 'surprise' a customer experiences following a service

experience and that this becomes an input into the less dynamic attitude that forms around service quality. However, Bolton and Drew (1991) caution that the distinction between customer satisfaction and service quality can become unclear in the case of frequent or continuously provided services.

Another view is that both customer satisfaction and service quality are linked in their common use of the disconfirmation paradigm, but use different expectation standards (Boulding, Kalra, Staelin and Zeithaml 1993). The construct of expectations in the satisfaction literature represents predictions about products or services that providers 'would' offer and therefore deals with expectations as a prediction of future events. In the service quality literature normative expectations of future events dominate the field and manifest as ideal or desirable expectations that are represented by services that 'should' be provided or services that are associated with an excellent firm. In this latter framework, 'ideal disconfirmation' drives service quality and has an impact on satisfaction. As such, service quality becomes an intermediary between disconfirmation and satisfaction (Danaher and Haddrell 1996).

Measuring customer satisfaction

Introduction

Extending outwards from debates around the formation of customer satisfaction and its relationship with service quality, researchers further deliberate on how to measure these concepts. An explanation put forward for the lack of consensus associated with the measurement of satisfaction is its highly abstract and subjective nature in a service environment. Parasuraman, Zeithaml and Berry (1985) recognise that defining and measuring quality has come mainly from the goods sector, but that the techniques for measuring the quality of goods are insufficient in the case of services.

The three defining features of service provision that Parasuraman, Zeithaml and Berry (1985) put forward to explain its unique nature are that service quality is intangible, as it cannot be measured objectively through direct observations, is heterogeneous, because it

comprises elements that are subject to variation, such as the behaviour of service staff during the consumer experience, and is inseparable, in that the process of production and consumption takes place at the same time. The last defining feature, inseparability, positions consumers in a significant role in the outcome of the service encounter and authors often comment on this distinctive feature. For example, Fountain (2001, p. 58) notes that customers in a service enterprise function as co-producers. In recognition of this co-production, Brady and Cronin (2001) consider the employee-customer interface a key factor in the formation of service quality perceptions.

Together, the unique characteristics of service delivery lead consumers to evaluate a service differently from the purchase of merchandise and researchers must consider the process of the service encounter rather than concentrate on the object of consumption as commonly pursued in the satisfaction of goods literature. Accordingly, it is this process of service delivery that customer satisfaction and service quality researchers seek to identify and measure. In doing so, the literature can be divided into three major areas of discussion that, when interlinked, provide a background from which to examine and conduct studies of satisfaction particular to service environments. These major areas are — the models constructed to frame the measurement of satisfaction and service quality, the service elements that are assessed by customers when providing accounts of their service experiences and the methods for obtaining data.

Constructing models that frame the measurement of satisfaction and service quality

The principal models devised to measure customer satisfaction or service quality are based either on the overt use of the disconfirmation paradigm and measure the gap, or mathematical difference, between expectations and performance, or measure perceptions as a direct appraisal of the service. Direct appraisals avoid difference scores and use either performance or satisfaction scales to directly measure service quality or satisfaction. Direct appraisals do not dismiss the disconfirmation paradigm, but incorporate immediately into the service quality or satisfaction measurement a subjective

determination of disconfirmation where the respondent has implicitly compared expectations with perceived performance.

Researchers put forward pros and cons for each model and in some instances studies are completed that empirically compare the results of using difference scores compared to direct appraisal. Before discussing some of these studies that compare the different models of service quality and satisfaction measurement, a closer look at how these models have developed is provided.

Building upon earlier work on the disconfirmation paradigm within the satisfaction of goods literature, Parasuraman, Zeithaml and Berry (1985) developed a long-standing model to measure service quality using difference scores. Following extensive in-depth interviews with executives and focus groups discussions with consumers, the authors collected data from a variety of service industries and developed the gap or disconfirmation model. The gap model identifies a total of five gaps or discrepancies that impede the delivery of service. Four of the gaps are associated with the service marketers' side of delivery and include the difference between:

- consumer expectations and management perception;
- management perceptions of consumer expectations and service quality specifications;
- service quality specifications and the service actually delivered; and
- service delivery and what is communicated about the service to consumers.

The fifth gap identified by Parasuraman, Zeithaml and Berry (1985) relates to the consumers' perspective and affirmed the disconfirmation paradigm in that judgements of high and low service quality depend on how consumers perceive the actual service performance in the context of what they expected. Accordingly, gap five is, "the quality that a consumer perceives in a service is a function of the magnitude and direction of the gap between expected service and perceived service" (Parasuraman, Zeithaml and Berry 1985, p. 46). The authors subsequently developed the SERVQUAL instrument that focused on measuring the perceived gaps between a consumer's expectation or level of

importance associated with a specific item and the degree of excellence, or performance associated with that same item.

Following the development of SERVQUAL a number of authors queried how the instrument operationalised the service expectation concept. Cronin and Taylor (1992, 1994) expressed concern with the measurement of customer expectations, proposing that gap scores were subject to an ambiguity occurring between a 'desired' level and an 'existing' level of service. Cronin and Taylor (1992) proceeded to develop the SERVPERF instrument, based on the measurement of service quality as an attitude and designed around the use of concise performance-only scales.

Peter, Churchill and Brown (1993) alert consumer researchers to some of the statistical analysis problems that may arise with the use of difference scores. The problems identified are reliability, discriminant validity, spurious correlation and variance restriction. In an analysis of several well-known consumer research studies, such as Parasuraman's, Zeithaml's and Berry's SERVQUAL research, Peter, Churchill and Brown (1993) found that none of the studies computed the reliability of the difference scores correctly. That is, the correlations between the components of the difference score were not adequately considered. Furthermore, none of the studies provided the necessary information for a subsequent inquiry to undertake a similar analysis.

Discriminant validity, necessary for establishing construct validity, refers to the degree that distinct constructs, which theoretically should not be related to each other, are dissimilar constructs. Typically, correlation coefficients between theoretically dissimilar measures should be low. Peter, Churchill and Brown (1993) point out that low reliability magnifies the correlations between a difference score measure and other measures, thereby creating the appearance of meeting discriminant validity when this is not the case.

The third issue that Peter, Churchill and Brown (1993) identify in using difference scores in consumer research is that of spurious correlation. This takes place in research that

seeks to determine the correlation between a difference score and another variable. The variable is just as likely to be correlated with one or both of the components from which the difference score is derived. In some cases, one of these components may indicate a closer association with the variable than the difference score.

The final problem in the use of difference scores is called variance restriction. This takes place when one component used in calculating a difference score is higher than the other — a situation common to consumer research where expectations might commonly outweigh perceived performance. Variance restriction can lead to erroneous conclusions about the statistical significance of regression coefficiencts. In conclusion, Peter, Churchill and Brown (1993) recommend consumer researchers design survey questions to avoid the use of difference scores where possible.

A favourable aspect of using the disconfirmation model is the asymmetry common in performance-only or satisfaction-only models can be greatly reduced. The asymmetry arises because, in general, responses to performance or levels of satisfaction are mostly favourable and this results in distributions that display negatively skewed findings. That is, most of the scores occur towards the upper end of the scale. Some researchers consider the highly skewed distribution of responses in satisfaction research a problem (Brown and Swartz 1989; Elam and Ritchie 1996; Fornell 1992). The problem arises because consumers may experience clear and serious deficiencies in service quality, but still specify a satisfactory rating. As a result, questions are raised about the capacity of satisfaction measures to reflect aspects such as customer loyalty and retention. Gap scales, on the other hand, indicate little skewness and are more suitable for regression analysis because such calculations assume symmetry in the error distribution.

The debate between using gap scales or performance-only and satisfaction-only scales is central to studies that test both models to determine which has the strongest link to aspects such as overall satisfaction or customer loyalty. Burns, Graefe and Absher (2003) examine water-based recreationists' importance and satisfaction ratings,

subjecting the results to satisfaction-only and difference scores. The authors' analysis finds that satisfaction-only measures are a better predictor of overall satisfaction.

Danaher's and Haddrell's (1996) study, examining the satisfaction of hotel users, contrasts disconfirmation, performance-only and satisfaction-only scales. Their findings indicate that performance-only and satisfaction-only scales are able to indicate the overall levels of customer satisfaction, whilst the disconfirmation scale is useful for capturing the negative feelings of guests.

Szymanski and Henard (2001) conduct a meta-analysis of 50 empirical studies on customer satisfaction. The authors report the cumulative findings of the meta-analysis and find that performance-only measures are not a dominant predictor of satisfaction levels and emphasise these measures reveal only a small part of the satisfaction story. In contrast, the meta-analysis shows that disconfirmation measures play a dominant role in satisfaction assessments, but that the choice of comparison standards impacts greatly on results.

Researchers may seek to develop a single, superior satisfaction model. However, a perusal of the marketing literature suggests that disconfirmation and performance-only/satisfaction-only models dominate, and that situations need to be explored to identify when a given model would be the best indicator of customer satisfaction and service quality.

For the purpose of this thesis, satisfaction data has been obtained from the departments through a Freedom of Information request. The next chapter describes the survey instruments obtained in this request. The use of disconfirmation methodologies does not appear to be common and it is generally the case that satisfaction-only measures are gathered and aggregate results presented.

The elements of customer satisfaction measurement in a service environment

In determining a level of customer service satisfaction, measurements are undertaken from the perspective of the consumer of the service. This section of the chapter examines those components of service delivery that, when combined, become the service experience and form the foundations of data gathered by consumer researchers. These components of the service delivery experience are also referred to in the literature as dimensions, attributes, factors or elements.

Broadly, two methods of measuring customer satisfaction are available. First, a single-item, or aggregate, level of measurement may be sought. This measurement seeks an overall or global indication of consumers' responses to the service experience. The second measurement captures satisfaction through a multi-item, or multi-attribute, level that asks questions about the different elements of the service. These different elements of service are mathematically manipulated to provide a single customer satisfaction rating. The Centrelink customer satisfaction index, discussed in Chapter 10, is an example of a satisfaction rating obtained through a multi-item measurement. Generally, survey instruments gather customer responses to both single-item and multi-item measurements of satisfaction.

One of the difficulties in customer satisfaction research is that a single-item rating often provides a different indication of satisfaction than if the elements of service are examined in another way. For example, Elam's and Ritchie's (1996) analysis of factors that influence assessments of customer satisfaction among beneficiaries of the Department of Social Security in the United Kingdom, found that global satisfaction measures reporting the percentage of customers that were 'very satisfied' or 'fairly satisfied' with the services they received from their local office, was not supported in qualitative research. Participants in focus group discussions, whilst reporting they had provided satisfactory ratings to the global satisfaction measure in a national customer survey, spoke of service experiences where it was apparent that "some very clear, even serious, deficiencies" in service were perceived to have occurred (Elam and Ritchie 1996, p. 14).

Accordingly, most researchers adopt the view that service quality perceptions are based on multiple dimensions that impact on satisfaction in a multiple level fashion where some dimensions are more important than others. However, there is no consensus on the number and type of service attributes that should be considered and whether these apply generically across service industries and sectors, or are specific to the service being measured. Two broad approaches are the Nordic perspective and the American perspective, the latter dominating the consumer literature (Brady and Cronin 2001). The Nordic perspective is reflected in the work of Grönroos (1988) and the American perspective is represented by the research of Parasuraman, Zeithaml and Berry (1985).

Grönroos's research identifies two service quality dimensions — technical, or outcome focused, and functional, or process-related. The technical dimension relates to what the customer receives in their interaction with the service provider. This aspect of service quality is more than just the final outcome as it incorporates the way that the end process is transferred to the customer. An example of a technical dimension is the professionalism and skills of the employees, operational systems and physical resources of the service provider. Not all aspects of the technical dimension relates directly to the actions of the provider. For example, a customer's perception of the technical dimension is influenced by the presence of other customers, such as the need to queue or the interactions that take place with another customer. The functional quality dimension refers to how customers receive the service and closely relates to the two-way interaction where the customer takes part in the process of production. Functional dimensions include the attributes and behaviours of staff, the accessibility and flexibility of the service provider, the reliability and trustworthiness shown and the ability of the provider to recover from an unexpected situation.

Grönroos (1998, p. 12) comments that firms often concentrate on issues relating to technical dimensions. However, success in a technical aspect of quality requires a competitive advantage through the development of an excellent technical solution, but this is rarely the case and competing firms quickly acquire the technology. Accordingly,

a more viable strategy to improve customer satisfaction is for firms to concentrate on adding value through improvements in the functional quality dimensions.

Expanding upon the two basic quality dimensions, Grönroos (1988, p. 13) explores the factors contributing to good quality and develops a short, but comprehensive list outlining the six criteria necessary for firms to generate the perception of good quality service. These factors are:

- professionalism and skills – customers are aware that service providers have the knowledge and skills to solve the customers' problems (technical dimension);
- attitudes and behaviours – customers sense staff are concerned and genuinely interested in solving their problems in a friendly manner (functional dimension);
- accessibility and flexibility – service providers are accessible to customers with the opening hours, location and the operating systems enabling such access. Customers also know that providers can be flexible and adjust services to meet demands (functional dimension);
- reliability and trustworthiness – customers can rely on service providers to keep promises and perform in the best interests of their customers (functional dimension);
- recovery – customers know that service providers will immediately take corrective action when something goes wrong or an unpredictable event occurs (functional dimension); and
- reputation and credibility – customers believe that service providers can be trusted to perform well and have values similar to customers (image related aspect that fulfils a filtering function).

The American perspective concentrates on dimensions that describe the characteristics of service encounters. Utilising a range of service industries, Parasuraman, Zeithaml and Berry (1985) conducted interviews with service business executives and held focus group sessions with service users to explore views around a number of service quality issues. The issues included the reasons for satisfaction and dissatisfaction, descriptions of ideal services, the meaning of service quality and the factors important in evaluating service

quality. As a result of this research, Parasuraman, Zeithaml and Berry (1985) form a model describing ten determinants forming the basis of service quality evalutions that apply regardless of the type of service delivered. Parasuraman, Zeithaml and Berry (1985) further categorise these ten determinants into a framework used to describe the quality of goods. This framework comprises:

- search qualities – easy to evaluate attributes that relate to aspects able to be evaluated prior to the service experience;
- experience qualities – these are more difficult to evaluate attributes that can only be decided during or after the service encounter; and
- credence qualities – characteristics that are most difficult to evaluate or the customer may never be able to determine.

The ten service quality determinants, arranged within the quality of goods framework are shown in the following table.

Table 9.1: The service quality determinants of Parasuraman, Zeithaml and Berry

Quality of goods	Service quality determinants
Search qualities	tangibles (physical evidence of the service) credibility (trustworthiness, believability and honesty)
Experience qualities	access (approachability and ease of contact) courtesy (politeness, respect, consideration and friendliness) reliability (consistency of performance and dependability) responsiveness (willingness or readiness of employees) understanding (making the effort to understand the customers' needs) communication (keeping customers informed and listening to them)
Credence qualities	competence (possession of the required skills and knowledge) security (freedom from danger, risk or doubt)

In progressing their research, Parasuraman, Zeithaml and Berry found a high degree of similarities among some of the ten determinants and were able to consolidate the determinants into five broad dimensions that became the basis for their SERVQUAL

service quality measurement instrument. This consolidation moved away from the quality of goods classification, based around the degree of difficulty for customers in arriving at a judgement, and moved towards a classification arranged on similar types of service activities. Assurance incorporates aspects related to the knowledge and courtesy of employees. Empathy involves the care and attention given to individual customers. Responsiveness is a measure of the willingness of employees to provide appropriate and prompt services to customers. Reliability relates to being able to perform the service dependably and accurately. Lastly, tangibles are the physical facilities, equipment, personnel and communication components of service provision. The SERVQUAL measuring tool was designed to be applicable to any service organisation and it proceeded to form the basis of a great deal of consumer research into satisfaction and quality (Johnston 1995; Wisniewski and Donnelly 1996).

Subsequent research on the different elements that impact on customers' assessments of service quality has expanded both the Nordic and American perspectives. For example, Brady and Cronin (2001) indicate the Nordic perspective has been expanded with the addition of a 'service environment' dimension. Given the popularity of SERVQUAL, this instrument has been modified on numerous occasions. For instance, Frost and Kumar (2001) devised INTSERVQUAL that introduced an additional gap measurement that involves internal support staff and front-line service staff. INTSERVQUAL introduced seven additional factors to measure this internal service delivery gap — teamwork, employee job-fit, technology job-fit, perceived control, supervisory control systems, role conflict and role ambiguity (Frost and Kumar 2001, p. 374).

In order to provide information on the service quality dimensions and enable the disconfirmation paradigm to be applied, the SERVQUAL instrument seeks customers' views on 22 aspects of service delivery. These 22 aspects are repeated to the customers three times, once to gain the customers' perception of the service performance, then to find out the customers' understanding of what service quality the provider should give and, thirdly, to determine the customers' belief about the extent to which an excellent company would possess the service quality aspects.

An examination of other consumer research studies indicates survey instruments designed to measure customer satisfaction and service quality are based around similar aspects of service delivery to the 22 items listed as part of SERVQUAL. Table 9.2 compares the elements of service quality that a number of studies have identified as gathering the necessary information from customers to measure their satisfaction with services. The table considers survey instruments that are developed to be generic and apply across different service industries, such as SERVQUAL, and surveys designed to measure satisfaction within a particular service. Researchers who develop generic instruments validate these in cross-industry and cross-cultural settings (Brady and Cronin 2001; Callahan and Gilbert 2005; Fornell, Johnson, Anderson, Cha and Bryant 1996). In developing the specific survey instruments, the researchers construct their surveys based on literature reviews and focus group discussions that explore those elements of service quality commonly raised by customers within the particular service environments.

Table 9.2: Service elements identified in six customer satisfaction survey instruments

Generic survey instruments				Specific survey instruments	
Parasuraman, Zeithaml and Berry (in Teas, 1993) (applies generically)	***Johnston, 1995 (Banking industry)***	***Brady and Cronin, 2001 (applies generically)***	***Callahan and Gilbert, 2005 (applies to public services)***	***Brown and Swartz, 1989 (Xmas tree decorations trade fair)***	***Burns, Graefe and Absher, 2003 (Outdoor recreation facility)***
Tangibles Up-to-date equipment and technology	Attentiveness/ helpfulness	**Interaction quality** Interaction with: • firm; and • employees	Provider courtesy	Variety of food and beverage	Accessibility for those with disabilities
Visual appearance of physical facilities	Responsiveness	**Attitude** Employees: • are willing to help; and • understand customers' needs	Timely service	Quality of food and beverage	Sufficient number of recreation areas
Visual appearance of physical facilities	Care	**Behaviour** Employees: • take action to address customers' needs; • respond quickly to customers' needs; and • understand customers' needs	Competent employees	Price of food and beverage	Appearance and maintenance of the area
Neat appearance of employees	Availability	**Expertise** Employees: • know their jobs • can answer questions quickly • knowledge meets customers' needs	Easy to get help	Entertainment	Value for fee paid
Physical facilities in keeping with services	Reliability	**Service Environment quality** Physical environment is one of the best Physical environment highly rated	Convenient operating hours	Variety of arts and crafts	Availability of staff to answer questions
Reliability Carry out promises within timeframe	Integrity	**Ambient conditions** Can rely on good atmosphere What customer is looking for Provider understands importance of	Neat and clean place	Quality of arts and crafts	Visibility of staff

Sympathetic and reassuring about customers' problems	Friendliness	**Design** Service provider's layout impressive Layout serves purpose Provider understands design of facility is important	Treatment received	Price of arts and crafts	Safety and security at the area
Dependability	Courtesy	**Social factors** Other customers appear to have good impression of service Other customers do not affect ability to provide good service Provider understands other patrons affect perceptions of service	Easy access to service	Program	Courteous and friendly staff
Services provided at time promised	Communication	**Outcome quality** Customers receives excellent experience Customers feel good about what is provided	Employees listen	Clean	Opportunity to offer suggestions to the staff
Records kept accurately	Competence	**Waiting time** Waiting time predictable Waiting time kept to a minimum Provider understands waiting time is important	Security within the organisation	Crowd	Adequate ranger/visitor assistance patrols
Responsiveness Telling the customer when the service will be performed	Functionality	**Tangibles** Consistency of service product Provider has what customers wants Provider knows what customers are looking for	Security outside the organisation	Attraction	General information about the area
Receiving prompt service	Commitment	**Valence** Customers: • feel they had a good experience; • believe provider tries to give a good experience; and • believe provider knows the type of experience customers want	Prompt help	Unique	Nature/historical information about the area

Employees willing to help customers	Access	**Service quality** Firm provides superior service Firm offers excellent service	Service costs reasonable	Organisation	Safety information
Employees respond to customers promptly	Flexibility		Fair treatment	Number of trees	Ease of ontaining information
Assurance Trustworthy employees	Aesthetics		Organisation delivers what it promises	Decoration of trees	Current and accurate information
Safe when experiencing service	Cleanliness/ tidiness		Helpful personnel	Creativity of trees	Enjoy recreation without feeling crowded
Polite employees	Comfort		Organisation backs up its promises		Enjoy recreation without interference from other visitors
Support for employees from the firm	Security		Overall product and service quality		Compatibility of activities at the area
Empathy Individual attention given					Plans for recreation without conflict from other visitors
Employees give personal attention					
Employees know what customers" needs are					
Firm has customers' best interests at heart					
Convenient hours					

The elements of service indicated in table 9.2 reflect common core aspects and a number of themes are evident. Firstly, customers are concerned about being treated with dignity and respect and this translates into the way staff treat customers, the appearance and feel of the service environment and the ethical practices adopted by service providers and reflected in the providers' culture. Also, customers need to feel they are equal partners in the service delivery relationship and this is evidenced by the access of customers to information and the feedback mechanisms that enable customers to partake in the service development process. Importantly, service providers must understand the outcome sought by the customer in the service encounter and therefore staff should be knowledgeable and have the support necessary to fulfil the customers' requirements.

The common service elements identified in the literature are also encountered as areas of service that are important to consumers of income support and employment services in Australia. This is indicated in research identifying those aspects of service that unemployment payment recipients have found important. Whilst discussed in more detail in the next chapter, areas of high importance for job seekers includes personable and individual treatment, access to appropriate and useful information, resolving problems quickly and being listened to and treated with respect.

This section of the chapter has explored those elements of the service delivery process that customers are evaluating when arriving at conclusions about their customer satisfaction experience. Without understanding what customers are looking for and evaluating in their service encounters, research into customer satisfaction would not be possible. The remaining component to understanding customer satisfaction measurement is the methods by which customer satisfaction data is gathered.

The methods for obtaining customer satisfaction data

Given the ultimate judge of quality is the customer (Fornell 1992), it is predictable that most measurements of customer satisfaction are derived from mechanisms that collect data from customers. The standard approach is a customer satisfaction survey

(Van Ryzin 2006; Watson, Juster and Johnson 1991). However, numerous biases that distort customer satisfaction measurements operate and it is important these biases are appreciated so the results of surveys can be regarded thoughtfully and with an understanding of the strengths and weaknesses involved. The Institute for Citizen-Centred Service (ICCS) (2001, p. 33) outlines six standards necessary to ensure the quality of customer satisfaction findings. These standards are timeliness, accuracy, efficiency, usefulness, reliability and validity. The emphasis of the ICCS is on public sector customer surveys and accordingly the standards of efficiency and usefulness are important in the context of being accountable for the use of public funds. However, researchers commenting directly on the quality of survey information may focus attention on the limited criteria of reliability and validity (Danaher and Haddrell 1996). With a view to appreciating the difficulties of customer satisfaction data collection, this section of the chapter examines those aspects of gathering data that are commonly raised in the consumer research literature.

One of the first requirements in designing a customer satisfaction survey is deciding on the most appropriate method of data collection. The choice of method is most likely context-driven by such factors as the service provided, resources available, frequency of customer contacts, diversity and location of customers, language issues and the required complexity and length of questions. Although the most common approach is periodic surveys, continuous surveying may be possible in some situations, for example when regular customer feedback is desirable and the need to incorporate findings into a continuous assessment process is high.

The most common methods in collecting customer satisfaction data are focus group sessions, mail surveys, telephone surveys, personal interviews and Internet-based surveys either through electronic mail or web-based mechanisms. In the case of Centrelink and the Job Network, the major job seeker satisfaction surveys are undertaken using telephone interviews. The telephone method has a number of advantages in that it is:

- cost-effective with large numbers of respondents;

- results in higher response rates than mail interviews because the interviewer is able to encourage participation;
- enables greater guidance of the interview process as compared to personal interviews, particularly with the use of computer-assisted telephone interviewing (CATI), as is the case with recent customer satisfaction surveys of Centrelink and the Job Network;
- responses require minimal data clean-up; and
- the capacity to generalise from the results is considered high (ICCS 2001; Owens 2002).

As with any method of collecting data, using telephone surveys raises specific biases. For example, the results would be biased against households that are without telephones. The telephone survey may also pressure respondents into providing speedy responses and leave little time to process the questions and provide thoughtful answers (Crossen 1994, p. 22). Research has found that response rates to telephone surveys have been decreasing, with the suggestion by a consumer marketer that response rates in the range of 10 to 15 per cent are common (Miller and Kobayashi 2001). Explanations for this low response rate may include the increased demands on peoples' time, the intrusion of cold-calls by telephone marketing firms and the access to affordable answering machines that are utilised for avoiding unwanted phone calls. Despite the lower response rates, Miller and Kobayashi (2001) consider telephone surveying a popular data collection method, but partly because the market research industry is heavily invested in the infrastructure developed for telephone interviewing.

In addition to the methods of data collection, broader issues impact on the reliability and validity of customer satisfaction surveys. For example, some researchers consider the issue of timing to be important in determining customer satisfaction. Nicholls, Gilbert and Roslow (1998) emphasise their customer satisfaction measuring instrument was given immediately following the service encounter because at this time the experience of the service should occupy a prominent position in the respondents' memories.

Many authors express concern about the biases that impact on customer satisfaction surveys through the structures and wording of the questions that are asked (Crossen 1994; DeMoranville and Bienstock 2003; ICCS 2001; Payne 1951; Trochim 2000). For example, questions can introduce bias because of the way they are worded. Also, the words used may be ambiguous and open to multiple interpretations, or simply are unclear. Double-barreled questions that provide for more than one attribute to be rated on a single scale, are also problematic. It is common for surveys to be designed around a series of highly structured questions, but not provide the opportunity to explore experiences or enable a respondent to indicate a question is not applicable or that the respondent can't remember.

In addition to the wording of the questions, researchers are conscious of the impact the ordering of questions has on the results of customer satisfaction survey. For example, it is common for the rating of a general or overall satisfaction question to be higher when appearing after specific service satisfaction questions, than when appearing before. Similarly, the ratings for specific service satisfaction questions will be lower when these are asked after an overall satisfaction question. To explain this ordering outcome, DeMoranville and Bienstock (2003) make use of the Maxim of Relevance and the Maxim of Quantity, that both function within the theory of conversation. These Maxims operate to maintain conversation within the boundaries of previous discussion, but also avoid repetition within a conversation. When applied to surveys, the Maxims provide an explanation for why responses are given in consideration of previous responses and may provide new information. That is, the Maxim of Repetition explains how a general question asked after specific questions will be rated higher, than if asked before, because the preceding specific questions activate information about the satisfaction construct and perform a positive priming function. The Maxim of Quantity operates to avoid repetition with those responses that have been provided beforehand. As a result, ratings for specific questions are lower when following a general satisfaction question, because the responses to the specific questions are isolated and contrasted with the general response allowing different elements of the service experience to be rated lower than the overall experience.

Beyond issues of question wordings or orderings, bias in data collection takes place at a more cryptic level in the process of interaction that occurs between the interviewer and the respondent. Crossen recognises these subtle forces and writes that, "[r]esponse effects arise from the quirkiness of language and the complexities of human emotion — pride, embarrassment, self-righteousness, contempt or any of hundreds of other strings that play when one person speaks to another" (1994, p. 22).

Accordingly, researchers need to be aware of the many forms of bias that can arise from the wording, ordering and way questions are asked. In response, some consumer researchers suggest the analysis of customer satisfaction should be based on responses to open-ended questions that give priority to the customers' frame of references (Fournier and Mick 1999; Pothas, De Wet and De Wet 2001). These authors believe that unstructured formats enable insights and understandings to develop that are otherwise absent when survey contents are predetermined through established questions by the investigators.

Another area of customer satisfaction bias is the methods of data analysis that are used to form conclusions about the results of surveys. Numerous statistical approaches are adopted to analyse the data and make sense of the findings. In the first instance, databases may be distorted by the processes that manipulate the data in preparation for analysis. For example, blank answers may be deleted or open-ended responses categorised incorrectly. The relationships between independent variables and dependent variables may be configured inappropriately and unreasonable conclusions formed as a result of applying statistical techniques such as factor analysis, analysis of variance or regression analysis. These techniques are part of the realm of inferential statistics where researchers are seeking to reach conclusions that extend beyond the immediate data.

A common technique with descriptive data analysis is to cross-tabulate the information according to certain characteristics of respondents, for example calculating average levels of satisfaction in relation to age, sex or geographic location of the customer. Along similar lines, Parasuraman, Zeithaml and Berry (1985) explore the idea of segmenting

consumers on the basis of their service quality expectations, suggesting research aimed at determining whether distinct identifiable service quality segments exist would be valuable. However, drawing conclusions from such analysis is not necessarily obvious. For example, in the context of the United States, research has suggested that race is a significant explanatory variable because black citizens are consistently more dissatisfied with municipal services than white citizens (Brown and Coulter 1983). In contrast, more recent studies indicate race is less significant when factors such as political affiliation or general attitudes towards government are also taken into consideration (Van Ryzin 2006; Van Slyke and Roch 2004).

Given the subjective nature of assessments of satisfaction and the influences of numerous other factors, some researchers have investigated the neutral-observer methodology (Licari, McLean and Rice 2005). This method involves the placement of a non-resident, non-expert into a service experience to capture an element of neutrality and introduce user non-bias into the satisfaction assessment process. Whilst research shows that citizen evaluations correspond closely to non-resident, non-expert assessments, Licari, McLean and Rice (2005) conclude the neutral-observer methodology should be investigated further as a useful instrument for testing the validity of citizen evaluations.

Conclusion

In this chapter the consumer literature was explored to enable the application of this knowledge to the customer satisfaction surveys of job seekers. In the first instance, the theoretical frameworks that support the study of customer satisfaction were explored. Research on the determinants of customer satisfaction generally emphasise the role of expectations and perceptions of performance. These two factors, that are manifestations of a multitude of variables, interact in complex and uncertain ways to form a level of pleasure or disappointment with a service encounter. Furthermore, the research is uncertain about the role customer satisfaction plays in the associated measurement of service quality. The subjective aspects that underpin the formation of satisfaction weakens its capacity to provide an objective indication of service quality. In practice,

this means that similar levels of customer satisfaction are able to reflect varying degrees of service quality. Or, conversely, wide variations in customer satisfaction ratings can arise when the same quality of services are delivered.

In emphasising the subjective nature of satisfaction, the research provides a framework to consider the formation of satisfaction on an individual basis. Gathering customer feedback on a collective level remains a challenge, but the results can provide useful information. Aggregate customer satisfaction findings that are representative of the client population can indicate the range over which satisfaction occurs and ensure management decisions are undertaken on an understanding of their end-user impacts. For example, managers using similarly worded surveys are able to monitor broad changes in customer satisfaction over time and use this to assess service delivery changes.

Attention then turned towards the more technical aspects of measuring customer satisfaction and commenced with the ways that the constructs of customer satisfaction and service quality are operationalised. Numerous studies indicate that those elements of service quality that customers contemplate when evaluating a service experience can be generalised. That is, the service experience, whilst taking place in situation-specific contexts, involves an interchange between service providers and customers that contains common elements. For example, the ways customers are treated and the fulfilment of the customers' expected outcomes are elements of the service experience that most customers take into account when determining their levels of satisfaction. Finally, the chapter considered the methods for collecting and analysing customer satisfaction data, along with aspects that can impact on the results of such data.

The research contained in this chapter develops an understanding of the construct and measurement of customer satisfaction and this can be applied to form useful commentary on the job seeker satisfaction surveys.

Chapter 10: The job seeker satisfaction survey instruments

The betterment of services is one of the justifications for the introduction of public sector reform. Reforms that separate service delivery functions from departments of the state, such as Centrelink, or contract previously state-provided services to private sector providers, as with the Job Network, are claimed to offer greater service effectiveness in delivery operations. This assumption is based on the belief that such operations are able to become highly focused on customer outcomes and are unchained from the plethora of bureaucratic processes that bind traditional models of government service delivery.

The previous chapter examined the concepts of customer satisfaction and service quality and the ways these interact and are measured. This research enables the analysis in this chapter to place the job seeker satisfaction survey instruments into a theoretical framework and facilitates discussion on the soundness of the job seeker surveys.

This chapter examines the survey instruments from which the job seeker satisfaction data is obtained and considers aspects that deal with the reliability and validity of the surveys. In addition, tables are provided that list the characteristics of the surveys and those aspects of service delivery that are investigated. The next three chapters draw together

the findings of the survey instruments described in this chapter to form conclusions about the directions that customer satisfaction has moved.

Customer satisfaction survey instruments

To obtain departmental information about the satisfaction of job seekers, the majority of data has been sourced from a Freedom of Information request undertaken specifically for this thesis. The documents provided as part of the request are listed in Appendix 1. However, the results of the surveys and the accompanying analysis in the Freedom of Information request documents commonly have missing pages and blank areas where information has been deleted. The schedule of documents prepared by the employment department that contains the reasons for deletions, comments that some material has been removed in accordance with section 22 of the Freedom of Information legislation. Section 22 concerns material that is irrelevant to the request. However, it is unclear why such material would have been irrelevant when the request for information was very broad in seeking the customer satisfaction information from job seeker surveys.

In some instances it is apparent that data is missing where satisfaction levels have declined. For example, in the 2005 survey report for job seekers' satisfaction with Centrelink, a table indicating changes in the service aspects relating to the Preparing for Work Agreement (PfWA) process has one of the three service elements deleted. However, the text accompanying the table states, "2005 reflected slight rises in the share of job seekers who understood what was required under the PfWA and were satisfied with the process of completing and signing a PfWA, that were offset by a decline in the proportion of job seekers who recalled signing the agreement". In this instance, the text indicates the deleted item in the table must have provided the figure showing the decline in job seekers who recalled signing a PfWA. However, in most cases, the text is deleted also and it is uncertain what data has been removed and whether this relates to positive or negative findings.

Additional customer satisfaction information was obtained from documents publicly available in the departmental libraries. These library documents relate to satisfaction surveys completed for the previous delivery arrangements involving DSS and the CES.

The surveys used in this evaluation and described in this chapter are:

- five surveys relating to the satisfaction of clients to the services of DSS over the period 1986 to 1996;
- three surveys on job seekers' satisfaction with the CES over the period 1993 to 1997;
- five surveys commissioned by the employment department for job seekers' satisfaction with Centrelink for the period 1998 to 2002;
- two surveys measuring customer satisfaction with the Job Network undertaken in 1999 and 2001; and
- three surveys commissioned by the employment department, termed 'omnibus' surveys, that consolidate findings for job seekers' satisfaction with both Centrelink and the Job Network during the period 2003 to 2005.

Customer satisfaction surveys for the Department of Social Security

Customer satisfaction information relating to the provision of income support delivered by DSS prior to Centrelink is sparse. This lack of data reflects the less important role that end-user satisfaction research played during the era prior to new public management. This is not to suggest that delivering quality services was not a consideration of DSS or the public sector in general. In the first annual report for the department in 1973, the introduction by the Director-General states, "[t]he challenge is to provide for the diverse needs of clients without sacrificing speed and efficiency on the one hand or humanity and compassion on the other." (DSS 1973, p. 1).

Surveys relating to customer satisfaction were available from the FaCS departmental library. The earliest survey dates to 1986 and indicates that customer satisfaction was

becoming an issue at this time. By way of support, in 1986 the department listed as one of its eight corporate goals "high quality service in a timely, fair and sensitive manner" (DSS 1986, p. 8). The most recent DSS customer satisfaction survey dates from late 1996, but this survey took place during the planning stages for Centrelink and the implications for staff and the flow-on impacts for customers should be taken into account in analysing the results.

1986 Work organisation trial client satisfaction survey

The 1986 survey is a client satisfaction survey developed and conducted in-house in by the department. The survey was undertaken as part of the Work Organisation Trials. These trials arose out of arrangements in regional offices to redesign and outfit offices and consider the reorganisation of duties in response to automatic data processing technology being adopted.

The 1986 client satisfaction survey was based on over 5000 personal interviews with clients in regional offices following their service experience. The survey did not attempt to develop a single measure to reflect the overall level of client satisfaction, but sought to measure the level of client satisfaction in relation to specific aspects of the department's service.

Of those customers approached, 70 per cent agreed to an interview. This high response rate may be a result of interviewers speaking to people directly and the respondents not wanting to appear impolite in refusing to participate. However, at the same time, the personal interview method may bias the sample because customers who did not experience a positive service experience, or outcome, may have felt disappointed and not motivated to discuss the service encounter. Also, despite assurances of anonymity, those clients that participated may have felt compelled to be positive given the link between the department and the interviewers. The timing of the survey, occurring in the social security offices after the completion of the customers' business, enables the service

experience to be fresh in the minds of survey respondents and this would contribute towards a high degree of confidence in the recollection of survey respondents.

In terms of the questionnaire, the survey instrument gave the options of 'yes', 'no' or 'not applicable' answers. Generally, abstract concepts such as satisfaction tend to be measured using an interval response scale such as a 1-to-5 rating scale. Also, some of the questions contained emotive content or may have been suggestive of particular delivery problems. For example, 'were you unhappy that ...' or 'did there seem to be a lack of communication between different areas ...'.

Concerns are also raised about the representativeness of regional offices involved in the survey. The objective of the survey was to measure client satisfaction before and during a work organisation trial period that involved the restructuring of offices to prepare for the introduction of computer technology into the department. Offices were chosen to participate in the surveys because they would be used in the work organisation trials. A number of offices were selected as control offices where existing procedures and practices were maintained to enable comparison with the trial offices. However, both the control offices and trial offices were given additional training to ensure that staff had the appropriate skills to undertake their duties to the fullest in their benefit specialisation. In addition, offices that commonly experienced difficult client-related problems were not selected to participate in the survey. These factors would result in higher levels of customer satisfaction than would normally be the case.

1986 Work organisation trial counter enquiry survey

To complement and provide a range of checks on the client satisfaction survey, the department also conducted a counter enquiry survey at the work organisation trial offices. Over a two-week period counter staff and enquiry officers completed a questionnaire for each contact with a client. The questionnaire was completed sequentially as the enquiry was processed, with each officer marking service in and out times. The questionnaire

sought data on details of the client such as benefit type, the type of enquiry and the service time for up to five categories of officers attending to the client.

Non-response bias was not an issue for the counter enquiry survey as the survey was not undertaken on a volunteer basis with clients, but represented a census of all client contact by staff. Whist response bias is possible with staff concealing details of their client interactions, an analysis of the results included a comparison with the service times reported by clients in the client satisfaction survey. The results of this comparison indicate service times reported by clients were generally consistent with those recorded by the counter staff and enquiry officers.

1987 Work organisation trial qualitative research study

Whilst not seeking representative quantitative satisfaction data, this qualitative study was undertaken by a marketing firm to validate and interpret the findings of the department's work organisation trial satisfaction surveys.

It is questionable how the qualitative study is able to validate the findings of the department's client satisfaction surveys when it does not seek to build a sample from which the findings can be generalised. The study chose group discussions to explore satisfaction, but participation was based on a counter receptionist screening potential respondents for initial eligibility and willingness to participate. The write-up for the qualitative study acknowledges the bias that arises from this selection process. For example, in one office the recruiting interviewer noted that 16 young Indigenous males had dealings with the receptionist, but none of these clients had been referred to the interviewer for inclusion in the group discussions.

Eight group discussions were held and participation was reported as low in four of the groups. In one case, the discussion was abandoned due to low attendance. The low attendance occurred despite the payment of $20 as an incentive for those attending. Whilst no numeric data is provided, the conclusion of the qualitative survey indicate a

highly satisfied majority with a critical minority that complained of problems in either obtaining a particular kind of benefit or resolving an administrative issue.

1990 client services satisfaction survey

The FaCS library also held a paper undertaken by a final year social work student from the University of New South Wales. The paper examined client satisfaction in a single office of the department that was located in a regional coastal town.

Eighty two clients were given short (22 questions) structured questionnaires based on a random sampling approach where every 20th client was offered participation. Questions sought data on basic demographics, and satisfaction relating to some aspects of the service. In some cases the responses to the questions provided yes/no formats, while other questions used interval response scales, based on a 1-to-5 rating.

1996 Department of Social Security customers' satisfaction survey

The department engaged a consultancy firm to undertake customer satisfaction research in late 1996. The survey was aimed at determining satisfaction among a broad range of service aspects and for using the findings as a guide for improving customer service within the new services delivery agency. During the period when the survey was undertaken, the implementation of Centrelink was in the early planning stages. Government announcements had taken place in August 1996 and Centrelink was to commence operation in July 1997. As such, this was a difficult time for staff with uncertainty over their futures and ambiguity surrounding the directions the new organisation might take.

The research company conducted 1221 telephone interviews where 72 per cent of those surveyed had contact with the department in the previous three months. As with other surveys conducted by telephone, some time elapsed following the service experience and customers' memories and feelings may have changed since the service event. The survey

involved over 100 questions about service aspects and 17 additional questions related to the respondents' characteristics. All of the service aspect questions provided a 1-to-5 interval response scale for the answer. As with the surveys to follow, a common feature of the way that the survey questions are worded is to include positive descriptions of the service element. For example, respondents are asked if the department, 'is a caring organisation, and looks after its customers' interests', 'is constantly striving to improve' or 'the way they treat you, for example treating you with respect and being understanding and sympathetic'. It could be argued that continually forming questions around positive service attributes is a form of loading the question that may produce more favourable responses.

Summary

Most of the surveys undertaken for DSS are not representative of the general income support population. The 1986 surveys are undertaken because the introduction of computer technology would impact greatly on the way that the process of service was structured. The qualitative study, also completed in 1986 to complement the findings of the quantitative work organisation trial satisfaction surveys, notes that most clients do not devote intense consideration to evaluating the services provided to them by the department. It would appear that in the mid 1980s the links between customer satisfaction and the delivery of income support were not well developed. The literature linking the elements of satisfaction to public services was not widespread and many of the staff processes in the department for dealing with claims and assessing the amounts of payment were well established and sought to provide for consistent treatment across a broad network. Whilst the development of computing systems would impact greatly on these staff processes, 1986 was an early stage in the redesign of work processes.

The 1990 survey is a minor study undertaken by a social work student whose major considerations were the morale of staff and the impacts on services available to income support recipients. This survey provides qualitative anecdotal evidence that develops

conclusions similar to the earlier large-scale studies and therefore supports these more general findings at a local level.

The 1996 survey is a very thorough customer satisfaction survey that is undertaken by a professional marketing research company with experience in commercial customer satisfaction research. The objective of the 1996 survey was to complete a comprehensive assessment of all the elements of customer service in the department and use the findings in a process of continuous improvement with the soon to be introduced Centrelink. The 1996 survey provides the only reliable instrument to compare findings against the future customer satisfaction results for Centrelink. However, any comparisons must be balanced against the organisational turmoil the regional offices must have experienced following the announcement of Centrelink. Details of how the agency would operate and the arrangements under which staff would be working were unclear and the impacts of this on staff morale and the flow-on effects for customer satisfaction would be significant.

Table 10.1 provides a comparison of the surveys outlined above. The table shows the characteristics of each survey and the aspects of service delivery that respondents are asked about.

Table 10.1: Customer satisfaction surveys for the Department of Social Security

Survey title/date	1986 Work organisation trials client satisfaction survey	1986 Work organisation trials counter enquiry survey	1987 Work organisation trial qualitative research study	1990 client services satisfaction survey	1996 Department of Social Security customers' satisfaction survey
Researcher	Internal research	Internal research	Consultant	Student research	Consultant
Survey type	Face-to-face interview	Form completed by employees	Focus group discussions	Questionnaire	Telephone interview
Number of respondents	5051	11,374	35	82	1221
Timing of interview	Immediately following service encounter	During service encounter	Some time following service experience	Immediately following service encounter	Some time following service experience
Response rate	70 per cent	100 per cent	36 per cent	Not stated	Not stated
Aspects of service covered	Enquiry type Information quality Waiting times Privacy Office environment Procedural issues Staff attitude	Enquiry type Outcome Time for service	Information quality Office environment Waiting times Privacy Procedural issues Staff attitude	Overall satisfaction Waiting times Staff attitude Office Environment	Overall satisfaction Image Office procedures Office environment Staff attitude counter staff telephone staff Payment processing Information quality

Customer satisfaction surveys for the Commonwealth Employment Service

Three highly relevant and detailed surveys are available for examining job seekers' satisfaction with the CES. The 1993 and 1995 surveys were available from the DEWR library and a 1997 survey was provided as part of the Freedom of Information request documents.

1993 National survey of job seekers' CES satisfaction

The 1993 survey was undertaken to measure job seekers' satisfaction with the services provided by the CES and determine whether service goals were being met following the introduction of service standards in 1992. The breadth and analysis of the survey results mark a firm beginning to the measurement of the satisfaction of job seekers. However, the questions seeking job seeker satisfaction ratings commonly provided a three-point interval response scale, comprising 'yes', 'no' and 'don't know', compared to the more common five-point scale.

The survey involved telephone interviews of over 26,000 job seekers conducted by a consulting research company. The large sample size was to allow the survey to be representative down to the level of service centres and enable comparison between service centres. In relation to this, whilst the overall percentage of job seekers satisfied with the service they received was 75, the levels of overall satisfaction from the 300 service centres ranged from 59 per cent to 90 per cent. The survey sample was derived from all job seekers registered with the CES, who had been in contact with a service centre within the previous six months and who had a telephone contact number. A total of 33,000 job seekers were contacted and the 26,433 completed interviews represent a response rate of 79.3 per cent.

The survey analysis acknowledges a range of influences, including the respondents' differing levels of expectation. External influences consist of the election period that

coincided with the collection of data and seasonal factors related to the high levels of unemployment. The election campaign focused on the issue of high unemployment and the growth in long term unemployment, possibly increasing the awareness of job seekers to the importance of unemployment issues.

1995 National survey of job seekers' satisfaction with CES services

The 1995 survey was undertaken using a similar framework to the 1993 survey. The same research company was used and the survey instrument was largely unchanged, allowing the 1995 results to be comparable to the 1993 findings. Similar to the 1993 survey, the 1995 survey sought a sample size that would allow analysis at the service outlet level and enable comparisons between these outlets. As such, almost 40,000 registered job seekers who had been in contact with the CES in the previous six months were interviewed.

The 1995 survey included a qualitative component that sought in-depth information about job seekers' perceptions of service and their relevant service expectations. In this way, the methodology for the 1995 survey indicates an appreciation for the theory relating to the formation of customer satisfaction. In the quantitative survey, first-time users of the services were excluded from questions about service standards, but were asked about their perceptions of the CES and their first impressions. The survey also acknowledges the impact on satisfaction the changed policy environment may have caused. From May 1994, an emphasis on labour market assistance to the long-term unemployed had come about with the introduction of the Labor government's *Working Nation* programs and this resulted in much greater access to training and employment programs.

1997 National quantitative survey of job seekers' satisfaction

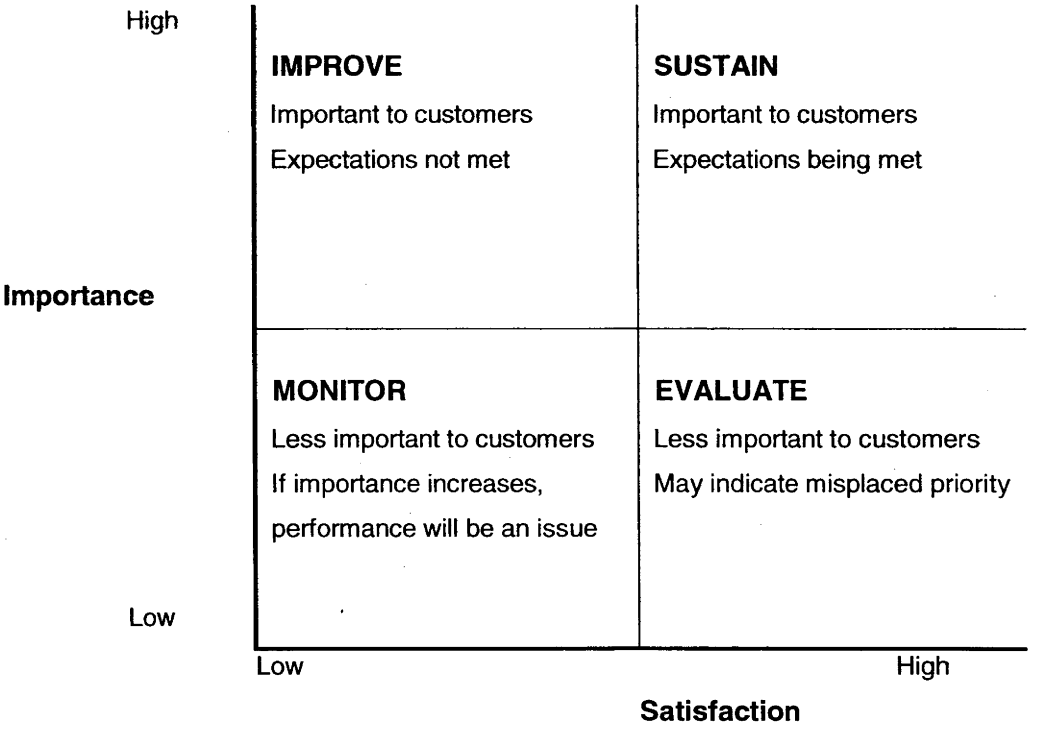
The key objective of the 1997 job seeker satisfaction survey was to provide benchmark information about service quality under the CES. This would enable the 1997 survey to function as a point of comparison for subsequent evaluations of satisfaction that would be undertaken with the new Job Network. However, as with the 1996 Centrelink survey, the

impact on the CES of the announcement of the new service delivery arrangements would have resulted in a significant impact on staff and job seeker interactions. Managing the high level of uncertainty among staff during this period was recognised as a challenge by the department (DEETYA 1998b, p. 7). As such, the extent that the 1997 survey provides a suitable benchmark is questioned. It is unclear whether the 1997 survey was commissioned from the same consulting firm that had completed the 1993 and 1995 customer satisfaction surveys. In addition, the 1997 report does not provide a copy of the questionnaire for comparative purposes, although similar service elements appear to be considered. Also, the 1997 report, as a document from the Freedom of Information request, has sections of the report that have been deleted.

It is noted that at the time of the survey Centrelink had commenced operation and taken over a number of functions from the CES. However, the 1997 telephone survey, examining customers' satisfaction from a retrospective viewpoint, gathered data from when these functions had been undertaken by the CES.

The 1997 survey reveals the influence of customer satisfaction theory was making greater inroads. For example, a secondary objective of the survey was to gather data examining job seekers' needs and expectations of employment services and to better understand the customers' perceptions of service quality. Together with information from a qualitative survey identifying aspects of service delivery that job seekers found important, the 1997 survey provided the basis for developing a performance matrix. A performance matrix is able to yield information from customer research to assist agencies in determining areas that require high levels of priority (ICCS 2001, p. 43). The analysis uses the results from customers about the importance of services compared to their levels of satisfaction. As a result, a matrix is developed that positions aspects of service relative to their levels of importance and satisfaction.

Diagram 10.1: Performance Matrix



Source: ICCS 2001, p. 43

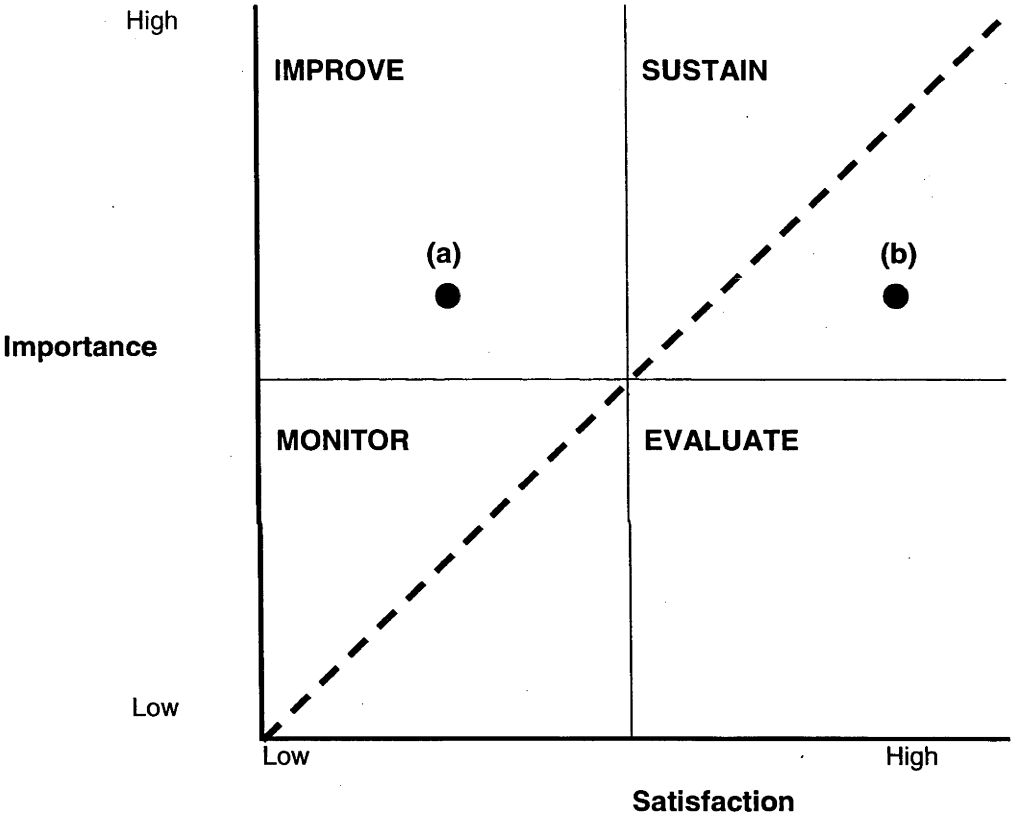
As diagram 10.1 shows, performance matrices are designed to indicate areas of service that require attention by rating certain items high on importance, but low for satisfaction (IMPROVE quadrant). At the same time, the matrix indicates those areas where resources may be lowered, as with those items rated less important and where satisfaction ratings are high (EVALUATE quadrant) or areas of service where performance is being met (MONITOR and SUSTAIN).

However, in taking account of the ambiguous relationships between concepts such as importance, satisfaction, performance and expectations and the influence these and other factors have on the business of an organisation, caution should be applied in using performance matrices as a tool that "greatly enhances your ability to set priorities for improvement efforts", as recommended by the ICCS (2001, p. 43).

The logic of the framework underlying the performance matrix suggests that firms should set about achieving a balance between the customer ratings for importance and satisfaction. This would require movement towards the dotted line placed diagonally

across the matrix in diagram 10.2 — indicating where importance equals satisfaction. However, in addition to improving or lowering performance, an alternative response to achieve this balance, using the disconfirmation paradigm, would be to maintain performance whilst influencing the level of customer satisfaction or the rating of importance through shaping expectations.

Diagram 10.2: Analysis of a performance matrix

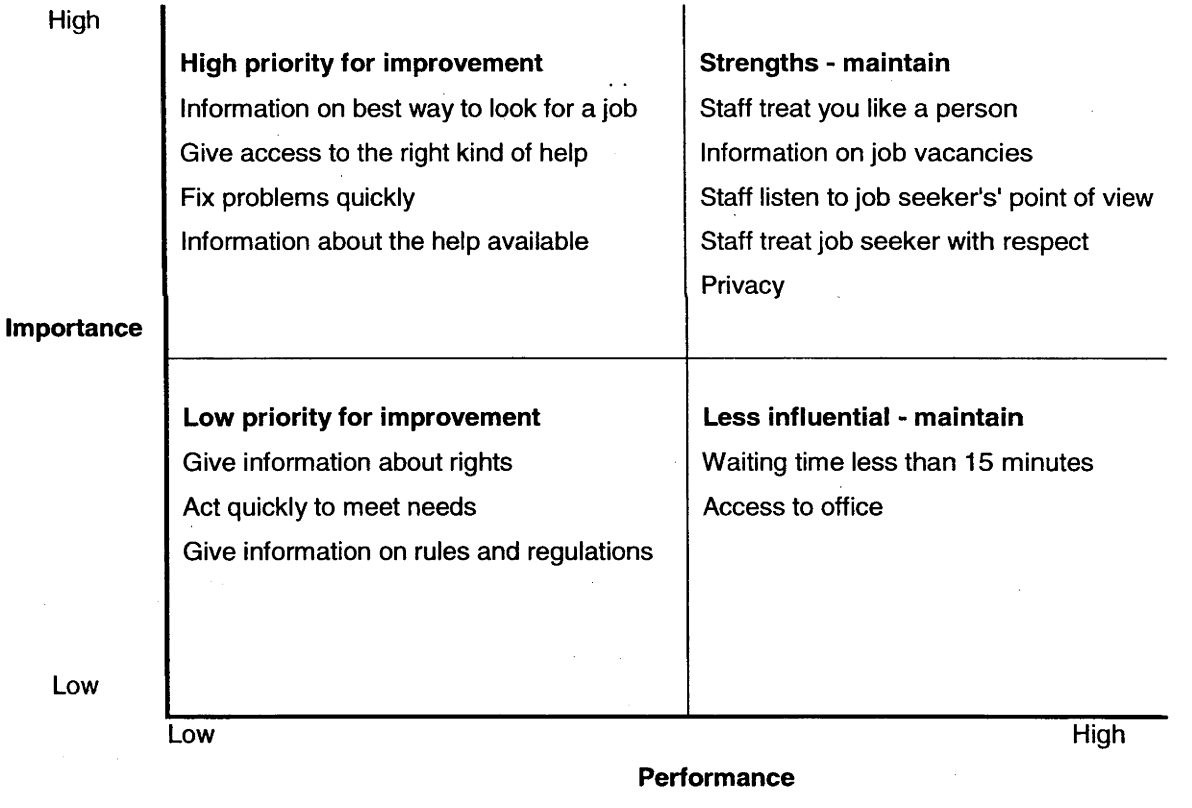


Similarly, from a performance perspective, a driver analysis of the performance matrix would suggest improving the service quality of point (a) in diagram 10.2 and reducing the service quality of point (b). However, both (a) and (b) are rated at the same level of importance and a valid response may be to do nothing. Afterall, from the overall customer satisfaction level, these two items may operate to cancel each other out and, therefore, cumulatively have little impact on a customer satisfaction rating. It may also be the case that despite differences in the satisfaction ratings, item (b) is more central to

the service production and scaling back performance may impact in other areas of importance and therefore overall satisfaction. Likewise, item (a) may be secondary in the service process and improving performance would consume resources from other more important aspects. Accordingly, the performance matrix represents an incomplete framework from which to implement a performance or customer satisfaction improvement strategy and requires a careful analysis to be beneficial.

The performance matrix developed in the 1997 survey sought to establish those aspects of service that should be given priority in order to increase job seeker satisfaction. The following diagram presents this matrix.

Diagram 10.3: CES 1997 performance matrix



Whilst the survey report indicates that certain service activities should be targeted for performance improvement, and other service aspects that are performing well or are less important to customers be maintained, the analysis does not consider the implications of

the types of services listed. That is, those service aspects that need to be improved and are important to customers are strongly linked to job seekers gaining employment. These services are shown in the 'high importance' and 'low performance' quadrant of diagram 10.3 and include:

- giving information about the best way to look for a job;
- giving access to the right kind of help;
- fixing problems quickly; and
- providing information about the help available.

The underlying outcome from these activities is connected to job seekers entering employment. The importance of this outcome to job seekers is high and the 1997 survey confirms this with 78 per cent of job seekers indicating they contacted the CES for the purpose of seeking work or training. However, guaranteeing a job is an aspect of service delivery that is often beyond the control of the CES and being unable to deliver the outcome might result in a low perception of performance for aspects of service over which the CES has limited influence.

Also, during the period the survey was conducted, the opportunities for employment and training had become restricted on two fronts. Firstly, commencing in mid-1995 and continuing through to 1997, the Australian labour market foundered (DEETYA 1997, p. 13). The weak labour market resulted in reduced rates of full-time employment, a slowing in the growth rate of part-time employment and increases in long-term unemployment. Secondly, the access for job seekers to training was curtailed as a result of significant budget reductions in labour market programs. The resources for labour market programs in 1995-96 was $2.7 billion, reducing to $2.08 billion in 1996-97 and falling to $1.6 billion in 1997-98 (O'Neill 1998, p. 1).

Summary

The three surveys undertaken of the CES provide detailed and useful information from which to form a picture of job seekers' satisfaction with employment services. These

customer satisfaction surveys were conducted by market research companies with experience in the application of these types of surveys. Evidence of an appreciation for customer satisfaction theory is present in the reports and the broad areas of service elements examined are similar to those elements that are identified in the customer satisfaction literature as necessary for gaining information to enable satisfaction to be measured. The issue of timing may be important given that all surveys were conducted by telephone and did not immediately follow the service encounter. However, until the omnibus survey commences in 2003, a six month time period from when the service encounter may have occurred is common to that of future surveys and therefore introduces an element of commonality in the survey methodologies.

Table 10.2 provides a comparison of the CES surveys outlined above. The table shows the characteristics of each survey and the aspects of service delivery that respondents are asked about.

Table 10.2: Customer satisfaction surveys for the Commonwealth Employment Service

Survey title/date	1993 National survey of job seekers' CES satisfaction	1995 National survey of job seekers' satisfaction with CES services	1997 National quantitative survey of job seekers' satisfaction
Researcher	Consultant	Consultant (same as in 1993)	Consultant (different to 1993 and 1995)
Survey type	Telephone interview	Telephone interview	Telephone interview
Number of respondents	26 433	39 915	6 897
Timing of interview	Within six months of service	Within six months of service	Within 12 months of service
Response rate	79.3 per cent	83.8 per cent	Not stated
Aspects of service covered	Overall satisfaction Frequency and method of contact Service type Service outcomes Level of help received Information quality Level of respondents' understanding of service Staff attitudes Privacy	Overall satisfaction Frequency and method of contact Service type Service outcomes Level of help received Reasons for satisfaction Reasons for dissatisfaction Information quality Level of respondents' understanding of service Staff attitudes Privacy	Overall satisfaction Waiting times Information quality Registration process Job referral Job Search Training Case management

Customer satisfaction surveys for Centrelink prior to the Job seeker omnibus surveys

Centrelink provided limited data regarding the satisfaction of unemployment recipients to the overall quality of Centrelink services covering the period 1997 to 2004. In providing this data Centrelink advised their focus was on broad aspects of service applicable to all customers regardless of the payment they were on and the type of service they were receiving. Therefore, while job seekers were included in the Centrelink surveys, specific questions about employment services were not obtained. As a result, the Freedom of Information request to DEWR sought job seeker satisfaction survey results for Centrelink, in addition to the satisfaction results for the Job Network.

In late 2002, the department implemented a job seeker omnibus survey that combined the separate surveys that had been conducted for job seekers' perceptions of Centrelink and job seekers' perceptions of Job Network members. The following section describes the Centrelink surveys that cover the period 1998 to 2002 — prior to the commencement of the omnibus surveys. As with much of the data that comes from the Freedom of Information request, these surveys contained numerous deletions.

1998 National survey of job seekers' satisfaction with Centrelink service quality

The 1998 survey stratified job seekers across eight different groupings. Quotas were established and a selection process followed that provided for the appropriate representation within each group according to age, sex and geographical location.

Table 10.3 indicates the groups, their quotas and the final number interviewed.

Table 10.3: 1998 Centrelink survey groups and quotas

Group*	Sample selection	Quota for interviews
With special needs, in receipt of income support and *short*-term unemployed	1750	350
With special needs, in receipt of income support and *long*-term unemployed	2100	350
With special needs, **not** in receipt of income support and *short*-term unemployed	750	150
With special needs, **not** in receipt of income support and *long*-term unemployed	900	150
Without special needs, in receipt of income support and *short*-term unemployed	2100	700
Without special needs, in receipt of income support and *long*-term unemployed	2800	700
Without special needs, **not** in receipt of income support and *short*-term unemployed	900	300
Without special needs, **not** in receipt of income support and *long*-term unemployed	1200	300
TOTAL	***12,500***	***3000***

Note: Special needs customers include Indigenous, disabled and those from a non-English speaking background.

The 3000 interviews were completed by a market research firm using computer-assisted telephone interview (CATI) technology. CATI systems use computers to administer the interviews and control the pace of the interview, the flow of questions, recording responses, including rejecting invalid answers, and establish a tracking system for each response. It is not surprising that this technology for conducting interviews has become the industry norm as complex questionnaires with skip patterns and branching can be easily accommodated within a cost-effective method of surveying large numbers of respondents. From this period, the CATI technology becomes a feature of all future surveys of Centrelink and the Job Network, regardless of the research companies that undertake the surveys.

The results for those job seekers on income support compared to those not on income support show the overall satisfaction level is 88 per cent and 78 per cent respectively. This significant difference highlights the problem of gathering satisfaction data some time after the service experience has taken place and raises questions about why the difference in overall satisfaction levels between these two groups. Are the characteristics, perceptions and backgrounds of the two groups different at the time of the service encounter and would different satisfaction ratings have been gathered from a survey undertaken immediately following the service experience? Or, do perceptions and memories alter when job seekers are no longer on income support compared to when they remain on income support? The 10 percentage points difference in overall satisfaction may indicate that respondents in receipt of income support are less willing to be critical of services given their current dependency on income support.

1999 National survey of job seekers' satisfaction with Centrelink service quality

The 1999 survey was undertaken by a different research company than the one chosen in 1998. As a result, the methodology is dissimilar and most likely the questionnaire, although this questionnare was not included with the Freedom of Information request documents so it is difficult to be certain. The objective of the survey also reflects the greater stability in the new arrangements as the survey is designed to measure job seekers' satisfaction against key performance indicators forming part of the 1998-99 service arrangements between the employment department and Centrelink. The survey highlights the role of Centrelink as a gateway to the Job Network, recognising that poor performance may impact on access to Job Network services and the overall effectiveness of the new employment services market.

Using a stratified random sample provided by the department of almost 7000 job seekers, the research company sought quotas for 18 different categories of job seekers. Basic demographic information such as age, sex, education and location enabled further categorisation. The final sample comprised 2874 interviews and although six of the 18 categories of job seekers did not achieve their quotas, more often the quota was exceeded,

perhaps to ensure a sufficient number of interviews. The groups included in the survey and the number of job seekers interviewed are shown in table 10.4.

Table 10.4: 1999 Centrelink survey groups and quotas

Group	Quota	Number Interviewed
Aboriginal and Torres Strait Islanders unemployed for **less** than six months	110	110
Sole parents unemployed for **less** than six months	110	122
Youth not on allowance unemployed for **less** than six months	110	110
People with a disability unemployed for **less** than six months	110	120
Non-English speaking background unemployed for **less** than six months	110	111
* Aboriginal and Torres Strait Islanders unemployed for **greater** than six months	110	78
Sole parent unemployed for **greater** than six months	110	135
Youth not on allowance unemployed for **greater** than six months	110	118
* People with a disability unemployed for **greater** than six months	110	100
* Non-English speaking background unemployed for **greater** than six months	110	95
* Northern Territory job seekers	110	66
Australian Capital Territory job seekers	110	111
Tasmania job seekers	110	113
* Job matching – not on allowance, registered with Job Network	110	76
* Job matching – not on allowance, registered with Centrelink	110	83
Intensive Assistance job seekers	300	317
Job Search Training job seekers	300	308
All other (job matching, on allowance) job seekers	700	701
Total	***2950***	***2874***

* Quota not obtained

Those groups where the quotas are not reached may not provide a representative sample and this is particularly the case for Indigenous job seekers. In addition, Centrelink's contact information for Indigenous job seekers indicates that less than 50 per cent provide telephone contact details. This further questions the extent that Indigenous job seekers who have telephones are representative of the total Indigenous job seeker population.

2000 Survey of job seekers' satisfaction with Centrelink services

For the third consecutive year a different research company conducted the Centrelink job seeker satisfaction survey. The 2000 survey was processed using CATI technology and comprised 3127 interviews.

A comparison of the questions indicates more detail is provided in the 2000 questionnaire than the 1998 questionnaire. For example, in seeking responses to job seekers' satisfaction with the registration process, the 2000 survey asks the following screening question:

> We are interested in talking to people who have "registered with Centrelink as looking for work" in the last 6 months. Registration usually involves providing your personal details and details of your employment history, filling in a number of forms, attending at least one formal interview and, maybe attending an Information Seminar with other people who are looking for work. You may also get your job seeker ID card.

In comparison, the 1998 survey asks (note: the 1999 questionnaire was not provided):

> Now I have some questions about the registration process. Registration is when Centrelink takes down your personal details and details of your employment history. In some cases you may have had more than one interview or attended information sessions to complete the registration process.

The lead-in provided in the 2000 survey provides the job seeker with more information about the registration process and may assist the job seeker in recalling more detail about the services provided, particularly as the telephone interview may take place some time

after the service has taken place. The likelihood that the different lead-ins results in dissimilar responses for each of the surveys is high.

Overall, the satisfaction of job seekers to Centrelink's employment services had risen since the 1999 survey, up from 75 per cent to 79 per cent, although the report acknowledges the state of the labour market during 2000 had improved with the unemployment rate falling and job vacancies increasing.

2001 Evaluation of employment services delivered by Centrelink

The 2001 job seeker satisfaction survey was undertaken by the same research company that conducted the 2000 survey. This provides for some continuity, but the number of questions in the survey instrument did increase in 2001 by 24, perhaps reflecting the increased participation requirements being imposed on job seekers. The categories of job seekers for which quotas of respondents are sought also increased from 18 in 1999 to 22 categories in 2001. As with the increased number of questions, the increase in categories reflects the additional activity requirements placed upon the unemployed. The additional categories include job seekers with experience of mutual obligation, work for the dole, preparing for work agreements and the community support program.

To demonstrate the subject matter and questions asked, table 10.5 compares the question topics covered in the 2000 to the 2001 survey, including the number of questions for each topic. Not all questions are asked as CATI surveys include screening questions that enable the interviewer to skip irrelevant questions.

Table 10.5: Comparison of the question topics and number asked in the 2000 and 2001 job seeker satisfaction surveys of Centrelink

Survey year 2000			Survey year 2001		
Section	**Question topic**	**Number of questions**	**Section**	**Question topic**	**Number of questions**
			A	Satisfaction with employment services	4
A	Registration at Centrelink	16	B	Registration at Centrelink	11
B	Registering with a Job Network Member	9	C	Information sessions	4
			D	Registration overall	5
C	Contact with Centrelink	7	E	Contact with Centrelink	7
D	Job Network Member access (includes self-help facilities)	23	F	Self-help facilities	33
E	*Deleted from FOI document*	?			
F	Waiting times	10	G	Waiting times	11
G	Job Matching services	5	H	Job Matching services	6
H	Job Search Training	10	I	Job Search Training	10
I	Intensive Assistance	12	J	Intensive Assistance	13
J	General aspects	8	K	General aspects	13
K	Mutual obligation	10	L	Mutual obligation	11
L	Work for the dole	8	M	Work for the dole	8
			N	Preparing for work agreement	4
			O	*Deleted from FOI document*	?
			P	*Deleted from FOI document*	?
M	½ deleted from FOI documents	13	Q	*½ deleted from FOI doucments*	12
				access to Centrelink	3
	labour force status	6		labour force status	6
Total number of questions		**137 + number deleted**			**161 + number deleted**

In 2001 the question relating to the overall satisfaction of job seekers to Centrelink was revisited. This is because during qualitative explorations the researchers found that in thinking about satisfaction, job seekers would often concentrate on Centrelink's role in providing income support. As such, an additional question was included in the 2001 survey that asked job seekers on income support to put aside Centrelink's payment processing performance and indicate their satisfaction with the other employment information, facilities and services provided by Centrelink. Also, job seekers not in receipt of income support were asked about their satisfaction with the services, facilities and employment information provided by Centrelink.

The results indicate a significant difference in job seekers' satisfaction measurements. While 88 per cent of job seekers receiving income support reported satisfaction with Centrelink's payments process, a much lower percentage of 74 per cent indicated overall satisfaction with employment information, facilities and services. Job seekers not in receipt of income support report a 64 per cent overall satisfaction with employment information, facilities and services. The survey report indicates that for all respondents, the overall satisfaction measure for employment services is 79 per cent and this is the figure commonly reported in publications.

However, these finding raise issues about the reliability of previous surveys and the comparability of satisfaction measurements. If respondents are focusing on payment processing issues, the previous Centrelink satisfaction ratings are not a reliable indicator of job seeker satisfaction with the employment services undertaken by Centrelink that had transferred from the CES.

2002 Job seeker evaluation of employment services (Centrelink)

The 2002 job seeker survey of satisfaction with Centrelink was undertaken by a different research company than in the previous two years. However, the format of the report and the questionnaire appear very similar to the 2000 and 2001 reports and it is possible the same research company was involved under another business name. As indicated in table

10.5 the number of questions included in the surveys was increasing over time and the 2002 survey report notes the average interview length was 20 minutes. This compares to an average interview length in 1998 of 12.5 minutes. The 2002 survey report comments on the decline in overall satisfaction among job seekers to Centrelink's employment services. The recorded level of 75.5 per cent represented a decline from the previous two years of almost four percentage points. At the same time, the survey report advises no corresponding increase in dissatisfaction had taken place, but there had been an increase in the more ambivalent responses of 'neither satisfied nor dissatisfied' and 'don't know'. It may be that given the length of the interview process job seekers were becoming less interested in participating in the survey and less inclined to be positive.

Summary

All the surveys undertaken of Centrelink during the period 1998 to 2002 have been conducted by market research companies. The surveys employ CATI technology and respondents are chosen from a sample of job seekers that have been in contact with Centrelink during the previous six months, although a respondent is not necessarily receiving income support at the time of the questionnaire. The common elements of service delivery examined in the surveys provide a basis for comparison, although differences in the survey instruments are evident and this reduces the validity of direct comparisons.

Table 10.6 provides a comparison of the Centrelink surveys undertaken during the period 1998 to 2002. The table shows the characteristics of each survey and the aspects of service delivery that respondents are asked about.

Table 10.6: Customer satisfaction surveys for Centrelink, 1998 to 2002

Survey title/date	1998 National survey of job seekers' satisfaction with Centrelink service quality	1999 National survey of job seekers' satisfaction with Centrelink service quality	2000 Survey of job seekers' satisfaction with Centrelink services	2001 Evaluation of employment services delivered by Centrelink	2002 Job seeker evaluation of Centrelink employment services
Researcher	Consultant	Consultant (different to 1998)	Consultant (different to 1998 and 1999)	Consultant (same as 2000)	Consultant (different to previous years)
Survey type	CATI	CATI	CATI	CATI	CATI
Number of respondents	2974	2874	3127	3500	3018
Timing of interview	Contact within previous six months	Contact within previous six months	Contact within previous six months	Contact within previous six months	Contact within previous six months
Response rate	72%	not provided	61%	not provided	73%
Aspects of service covered	Overall satisfaction Enquiry type Registration process Self-help facilities Labour force activity Staff attitudes	Overall satisfaction Registration process Information provision Referral process Self-help facilities Waiting times	Overall satisfaction Registration process Information provision Self-help facilities Waiting times Telephone service General aspects (staff attitudes)	Overall satisfaction Registration process Information provision Self-help facilities Waiting times Telephone service General aspects (staff attitudes)	Overall satisfaction Registration process Information provision Self-help facilities Waiting times Telephone service General aspects (staff attitudes)

Customer satisfaction surveys for the Job Network prior to the Job seeker omnibus survey

Prior to the commencement of the omnibus survey in 2003, the department had undertaken two biennial surveys of job seekers' perceptions of, and satisfaction with, the Job Network. These surveys were conducted in 1999 and 2001.

1999 Survey of job seekers' satisfaction with Job Network

Unfortunately, the Freedom of Information request documents provide very little information on the 1999 job seeker survey. The methodology and the questionnaire are not included, although the summary for the survey indicates the result have been derived from telephone interviews conducted between March and June 1999.

The Job Network commenced in May 1998 and the 1999 survey relates to a period when some design issues were causing problems. Researchers who examine the Job Network comment on the difficulties that took place during the first employment services contract and these may have been impacting on survey results (Australian Council of Social Services 2001; Chalmers and Davis 2001; Dockery. 1999; Eardley, Abelló and MacDonald 2001, Productivity Commission 2002; Thompson 1998). For example, writers discuss the problems of:

- untested service providers being given contracts over established providers who had a proven record of delivering successful services;
- providers unable to deliver their services and who sub-contracted to agencies that had failed to win contracts on merit; and
- organisations who were providing services for free or cross-subsidising across the different employment services so that funds established for highly disadvantaged job seekers were not reaching this target population.

Some of the government responses to the early Job Network problems included up-front retainers of 30 per cent of expected job matching places for each contract monitoring

period to improve the income and cash flow of Job Network members, a marketing package of $1000 for each Job Network member to raise awareness of Job Network services among employees, increased funding in regional areas, extending the pool of eligible unemployed people to enable Job Network members to access non-income support recipients and an exit package, comprising a payment of $15,000, to assist non-viable agencies depart the system.

The 1999 Job Network survey results are perhaps more useful as an indication of the immediate impact on satisfaction of changes to government policies and the delivery arrangements surrounding these than as a measurement of job seekers' satisfaction with the substance of their employment services.

2001 Survey of job seekers' satisfaction with Job Network

The 2001 survey of job seekers' satisfaction with Job Network members was conducted by a market research firm using CATI technology. In commenting on the fieldwork for the 2001 job seeker satisfaction survey, the methodology report notes the tight timeframe did not provide for adequate testing of the questionnaire prior to loading on the CATI system. As a result, changes required in the middle of the fieldwork were "quite disruptive". The methodology report also comments on the difficulty of contacting job seekers. The response rate, that is the completed number of interviews divided by the number of contacts, plus those where there was no answer after six calls, minus those out of scope, was 67 per cent. In comparison, the hit rate, referring to the completed number of interviews divided by the total selection of respondents for which contact was attempted, was 57 per cent. The main reason for the low hit rate was the number of job seekers where no contact could be made, presumably because of incorrect contact details.

One of the main aims of the survey was to gather data on the service quality and job seekers' satisfaction with the four main Job Network services. These services include job matching, job search training, intensive assistance and the New Enterprise Incentive Scheme. The link to service quality was achieved by stratifying the sample of

respondents according to the star rating of their Job Network provider, highlighting the importance of the star ratings system to the department.

The star ratings system was developed by the department in 1999, with the assistance of the Flinders University, the University of Adelaide and the South Australian Centre for Economic Studies. The system provides a performance rating out of five stars, with measurements possible to ½ star increments, that focuses on the achievement of employment outcomes for job seekers or their placement into education and training. The system accounts for differences in the labour market conditions under which providers operate and the different characteristics of job seekers that Job Network members provide services. The star rating system has become important for the comparison it provides between different Job Network members and its use by the department for assessing Job Network members that are invited to continue providing services in subsequent employment services contracts.

Table 10.7 indicates the groups interviewed in the 2001 survey and the desired quotas.

Table 10.7: 2001 Job Network survey groups and quotas

Group*	Sample selection	Quota for interviews
Group 1: Job seekers who left intensive assistance (IA) or job search training (JST) within one to five months prior to interview	***n.a.***	***5294***
Group 2: Job seekers who had contact with Job Network within 11 months prior to interview and dealt with:	***3000***	***3129***
• IA provider with star rating of one (lowest);	300	316
• IA provider with star rating of five (highest);	400	354
• JST provider with star rating of one;	150	158
• JST provider with star rating of five;	250	256
• New Enterprise Incentive Scheme provider;	500	582
• JST provider with star rating of two, three or four;	300	331
• IA provider with star rating of two, three or four;	600	617
• job matching provider	500	515
Group 3: Job seekers fitting both Groups 1 and 2	***n.a.***	***821***
TOTAL		***9244***

It is interesting to note the findings of the 2001 survey indicate job seekers from low rated agencies are more satisfied (89.8 per cent) with the overall services provided than clients from medium (84.1 per cent) or high (83.6 per cent) rated agencies. More specifically, 44.4 per cent of job seekers from low rated agencies are 'very satisfied' compared to 36.7 per cent of job seekers from high rated agencies. Such results may appear counter-intuitive, but highlight the different measurements gathered by satisfaction surveys as compared to the star rating system. That is, Job Network members achieve high star ratings for delivering positive outcomes in terms of employment, training or education. As such, achieving these higher outcomes may involve concentrating effort on the easiest to place job seekers at the expense of the more

disadvantaged and difficult to place. In comparison, low rated Job Network members, who do not achieve high levels of employment, training or education outcomes, may concentrate effort more equally on all their job seekers and consequently achieve a higher rate of overall job seeker satisfaction.

Many commentators on the Job Network raise concerns about the design of the employment services market that provides outcome payments as part of a profit-based system, promotes undesirable practices by Job Network members such as placing the greatest effort into those job seekers able to secure employment, known as creaming, whilst minimal effort is expended on the most highly disadvantaged job seekers who are unlikely to gain employment, referred to as parking (Bruttel 2004; Burgess 2003; Considine 2000; Cowling and Mitchell 2003; Dockery and Stromback 2001; Eardley, Abelló and MacDonald 2001; Kerr, Carson and Goddard 2002; McNally 2003; Struyven and Steurs 2005). Whilst the government has introduced changes to the employment services contract to ensure disadvantaged job seekers receive appropriate employment assistance, this has involved increased requirements in the contract and greater levels of monitoring, suggesting decreased opportunities for Job Network members to engage in innovative and flexible solutions (Bruttel 2004).

Summary

The 1999 and 2001 job seeker surveys of the Job Network were undertaken during the early stages of the Job Network and accordingly do not reflect a stable period of operation. Limited information is provided for the 1999 survey and the emphasis on the star rating system of the 2001 survey is not repeated. Table 10.8 provides information on the characteristics of the 1999 and 2001 Job Network surveys.

Table 10.8: Customer satisfaction surveys for the Job Network, 1999 and 2001

Survey title/date	1999 Survey of job seekers' satisfaction with Job Network	2001 Survey of job seekers' satisfaction with Job Network
Researcher	Unknown	Consultant
Survey type	Telephone interview	CATI
Number of respondents	Unknown	9244
Timing of interview	Unknown, but not immediately following service	Depending on group, within five to 11 months of contact with the Job Network member
Response rate	Unknown	67%
Aspects of service covered	Job matching services Job Search Training Intensive assistance New Enterprise Incentive Scheme Other aspects (comparison of JN to CES)	Job matching services Job Search Training Intensive assistance New Enterprise Incentive Scheme

Job seeker omnibus surveys

In late 2002, DEWR replaced the previous survey arrangements, that sought measures of job seekers' satisfaction with Centrelink and the Job Network through separate surveys, with an omnibus survey that combined questions about the services of these two agencies into a single job seeker satisfaction survey. To undertake this task, the department commissioned a company that had not previously been involved in conducting job seeker surveys. The omnibus approach resulted in the redesign of the questionnaires, including the order of questions and the ways they were asked. The timing of when the questionnaire was given became closer to when the service took place, within three months afterwards instead of within six months, and the data was gathered at different times of the year and from a wider scope of job seekers.

Comments in the 2003 methodology report acknowledge the extent of the changes and suggest caution in comparing the results from 2003 and later surveys to those gathered

beforehand. But, the report also states "it is fair to say, however, that it is unlikely that the change in methodology alone, could explain the entire increase". This claim is unwarranted as it is not possible to quantify portions of any increase in satisfaction as due to one particular factor over another.

2003 Job seeker omnibus survey

In the case of Centrelink, the 2003 omnibus survey incorporates a revised measurement of satisfaction — the Customer Satisfaction Index. Whilst mentioned as under development in the 2001 Centrelink survey report, the index is derived from combining key service delivery elements that are weighted according to each service element's importance to job seekers as identified in qualitative research together with a factor analysis. As such, the measurement of overall satisfaction becomes a multi-level, rather than single-level measurement and, therefore, accords with the views of many market researchers where satisfaction is based on a composite calculation in which some dimensions of service are more important than others. Szymanski's and Henard's (2001) meta-analysis of the empirical evidence of customer satisfaction research finds in favour of using multi-item measures to capture customer satisfaction.

Each of the satisfaction ratings for the service elements that combine to form the customer satisfaction index is derived from a series of sub-elements. For example, the 'reputation' element comprises aspects that relate to how fair and reasonable Centrelink performs its tasks and if Centrelink can be relied upon to get things right. From close analysis of the components of the customer satisfaction index it is possible to calculate the exact contribution of a particular sub-element to the overall satisfaction measurement and, therefore, identify those aspects that are responsible for change in the overall customer satisfaction index. The department uses such analysis to determine the key drivers of change and enable improvement initiatives to be highly targeted.

Table 10.9 describes the eight service elements, and their associated sub-elements, together with the weightings of importance these are given in determining the overall customer satisfaction index.

Table 10.9: Service elements and weightings for the Centrelink Customer Satisfaction Index

Service Element and sub -elements	Weight (%)
Information provision	***30.0***
• clearly explain how to contact Job Network member	2.3
• gave good understanding of Job Network services	2.3
• encouraged use of Job Network for job matching	2.3
• registration information useful in helping to look for work	2.3
• registration information easy to understand	2.3
• registration information accurate and correct	2.3
• told about the touchscreens	2.3
• told about self-help facilities	2.3
• told about responsibilities and rules	2.3
• information up-to-date	2.3
• told about rights when using Job Network	2.3
• in general information provided accurate and correct	2.3
• in general information provided easy to understand	2.3
Staff	***30.0***
• gave time and attention required	7.5
• made job seeker feel like they wanted to help	7.5
• treated job seeker like a person not a number	7.5
• acted quickly to meet job seekers' need	7.5
Self-help facilities	***10.0***
• self-help facilities were well presented and tidy	2.5
• self-help facilities were easy to find	2.5
• equipment was in working order	2.5
• everyone has a fair chance to use self-help facilities	2.5
Waiting time	***10.0***
• appointment	4.5

• front counter	2.5
• phone	3.0
Preparing for work agreement	***7.5***
• understood what is required	3.8
• satisfied with process of completing and signing	3.8
Reputation	***5.0***
• is fair and reasonable	2.5
• can be relied on to get things right most of the time	2.5
Privacy	***5.0***
• treats information confidentially	1.7
• layout of office makes job seeker feel comfortable	1.7
• staff made job seeker feel comfortable	1.7
Mutual Obligation	***2.5***
• clearly explained what MO is all about	0.8
• clearly explained options or choices in meeting MO requirements	0.8
• job seeker clearly understands their requirements under MO	0.8
Overall Customer Satisfaction Index	**100**

From 2003, the customer satisfaction index is treated as the major indication of customer satisfaction, suggesting this aggregate measurement is a more accurate level of satisfaction than the single-item satisfaction measurement. The department also applies a retrospective analysis to determine customer satisfaction indexes dating back to 2000, prior to when the questionnaires do not provide sufficient data to enable the appropriate calculations. Following the introduction of the omnibus survey a consistent theme emerges — an increase in Centrelink's satisfaction rating. However, at the same time, the proportion of job seekers indicating they were 'very satisfied' declines.

For the Job Network, the omnibus survey also involved many methodological changes and the capacity to compare these later surveys with the earlier surveys of job seeker satisfaction with the Job Network and the CES is diminished. The omnibus survey, as with previous Job Network surveys, does distinguish between the different services provided — job matching services, job search training services and intensive assistance services. Unlike the Centrelink customer satisfaction index derived from the omnibus

survey, the overall satisfaction of job seekers to their Job Network agency is not a composite measure. The omnibus survey asks job seekers a single-item question, 'now, thinking about all aspects of the services provided by [employment agency name], overall, to what extent were you satisfied or dissatisfied?'.

In prior surveys, job seekers from the different Job Network services responded to different sections of the survey. With the introduction of the omnibus survey, although the type of services received by the job seekers are identified and reported on separately, all job seekers were asked the same questions in the same way, irrespective of the type of assistance they were receiving. While this approach may enable greater comparability between the satisfaction levels for the different services, it limits the opportunity to investigate aspects of quality unique to the delivery of each service.

2004 Job seeker omnibus survey

The 2004 omnibus survey was conducted by the same research company that undertook the omnibus survey in the previous year. The methodology is generally unchanged from the 2003 omnibus survey and the survey is conducted using CATI data collection methods from a sample of job seekers that have provided telephone contact details to the department.

The 2004 omnibus survey may have introduced bias in the way it configures job seekers among the different Job Network services provided. At the time of the survey, computer systems information was unable to reliably indicate the employment assistance programs that job seekers were engaged in with Job Network members. As such, assumptions were made about the programs job seekers were undertaking based on their duration of unemployment. That is, job seekers with an unemployment duration of less than three months were assumed to be taking part in job search support, those unemployed between three and six months were assumed to be undertaking job search training, those unemployed from six to 12 months were assumed to be involved in a mutual obligation activity and those unemployed for greater than 12 months were assumed to be in

intensive assistance. However, the assumptions about the programs job seekers are engaged in, based upon their length of unemployment, can be inaccurate. For example, Bruttel (2004) notes that in the third employment services contract around 20 per cent of new job seekers were assessed as suitable for immediate placement into intensive assistance. In addition, not all job seekers with a duration of unemployment longer than 12 months are receiving intensive assistance. Two six-month periods of intensive assistance were available to the long-term unemployed — the first six months of intensive assistance provided after 12 months of unemployment and the second period provided after the job seeker had been unemployed for two years.

The 2004 omnibus survey uses factor analysis and regression analysis to determine the key drivers of overall satisfaction of job seekers to the services provided by Job Network members. The two factors that provided the greatest influence on job seekers' overall satisfaction were the perceived treatment job seekers received from their Job Network members and the job seekers' confidence their Job Network members would find them work. The primary role these two aspects of service delivery play in the formation of job seekers' overall satisfaction with provider services is similar to the results of the 1997 CES survey. The 1997 performance matrix indicated the two service aspects that were most important to customers were services linked to job seekers gaining employment and the quality of personal interaction with staff.

2005 Job seeker omnibus survey

The 2005 omnibus survey was conducted by the same research company that conducted the 2003 and 2004 surveys and this provides for a measure of continuity. The 2005 omnibus survey made slight changes to the questionnaire and the collection methodology, but largely the omnibus survey remained the same as in 2004 and 2003.

An interesting feature of the surveys is the capacity to compare job seekers' overall satisfaction with Centrelink's employment services to the satisfaction rating as determined by the Centrelink customer satisfaction index.

Table 10.10: Comparison of results from overall satisfaction question to the customer satisfaction index

	2000	2001	2002	2003	2004	2005
Overall satisfaction with Centrelink employment services	78.8	79	75.5	82	86.5	85.6
Customer satisfaction index	77.9	76	75.7	81.3	83.7	84.2

As indicated in table 10.10, although not the same figures, both the overall satisfaction rating and the customer satisfaction index follows the same trends over time. An explanation for this can be found in the analysis from the survey report that investigates the overall satisfaction rating and the drivers that provide for its foundations.

The research company delves further into the overall satisfaction rating of Centrelink and uses factor analysis and regression analysis to determine the key drivers of job seekers' overall satisfaction. The model produced by the analysis indicates two primary contributors of overall satisfaction — the 'treatment of job seekers' and the 'general information and reputation of Centrelink'. Three secondary drivers of satisfaction are identified as the 'provision of touchscreens', 'waiting times' and 'information at registration'. Through an analysis of the performance of these primary and secondary drivers of overall satisfaction, the research company produces a performance matrix indicating the areas where Centrelink's performance requires improvement and where performance may be maintained at existing levels. Accompanying this matrix, the survey report also provides a second performance matrix derived from the components of the customer satisfaction index by comparing each component's relative performance against their weight in the index. The two performance matrices, one developed from the overall satisfaction question and the other developed from the index, are very similar and the report concludes the most important components of the index are the same as the primary and secondary contributors that determine job seekers' overall satisfaction.

This conclusion and the connection between the drivers of overall satisfaction and the primary weightings for the index helps explains why the overall satisfaction level of job seekers indicates similar figures to those determined in the customer satisfaction index as indicated in table 10.10. That is, the statistical tools that examine the data and identify groupings of questions with a high correlation to the overall satisfaction rating merely confirm the results of the qualitative research and associated analysis that ascertains the major attributes contributing to satisfaction and their weightings, thereby enabling construction of the index. Accordingly, the two measures have been derived from similar processes and merely reflect each other. Whilst the customer satisfaction index is more likely to produce a more exacting measurement, the overall satisfaction rating is not dissimilar.

Summary

The job seeker omnibus surveys represent a consolidation of the measurement of job seekers' satisfaction and provide detailed information covering a broad range of aspects of service that relate to the assessment of satisfaction. The ANAO report into the employment department's oversight of Job Network services to job seekers found the analytical methodology applying to the results of the omnibus surveys was broadly sound and concluded that "DEWR conducts high-quality, systematic client research" (2005e, p. 115).

Table 10.11 provides a comparison of the characteristics of the omnibus surveys conducted from 2003 to 2005.

Table 10.11: Job seeker omnibus surveys, 2003 to 2004

Survey title/date	2003 Job seeker omnibus survey	2004 Job seeker omnibus survey	2005 Job seeker omnibus survey
Researcher	Consultant (not previously used)	Consultant (same as in 2003)	Consultant (same as in 2003 and 2004)
Survey type	CATI	CATI	CATI
Number of respondents	6552	2730	6469
Timing of interview	Within three months of service	Within three months of service	Within three months of service
Response rate	79.6 per cent	77.4 per cent	75.4 per cent
Aspects of service covered	Overall satisfaction Frequency and method of contact Service type Service outcomes Level of help received Information quality Level of respondents' understanding of service Staff attitudes Privacy Complaints Mutual obligations Labour market assistance Job Matching Service Providers Code of Conduct	Overall satisfaction Frequency and method of contact Service type Service outcomes Level of help received Reasons for satisfaction Reasons for dissatisfaction Information quality Staff attitudes Privacy Mutual Obligations Preparing for work agreements Job Matching Job Search Training Intensive Assistance Work for the dole	Overall satisfaction Information quality Registration process Waiting times Reasons for satisfaction Reasons for dissatisfaction Privacy Job referral Case management Mutual Obligations Preparing for work agreements Job Matching Job Search Training Intensive Assistance Work for the dole

Conclusion

This chapter identified satisfaction surveys that have been undertaken of job seekers' satisfaction with income support and employment services. The surveys cover the period 1986 to 2005 and the findings are used in the following three chapters to establish trends in the satisfaction of job seekers over the period during which Centrelink and the Job Network were implemented.

This chapter has shown that different research companies, methodologies and questionnaires have been involved in gathering data on the satisfaction of job seekers. The emphasis driven by much of the customer satisfaction literature covered in Chapter 9, particularly that component dealing with data collection and measurement, would seek to determine methodologies that are more valid and reliable than others and accept the results of these surveys as more accurate reflections of job seekers' satisfaction. The analysis would then discard invalid measurements and form conclusions on the basis of reliable results.

However, most of the job seeker satisfaction surveys are developed, conducted and the results analysed by research consultants with a background in consumer satisfaction. As such, the methodologies are well constructed and often comprise:

- exploratory focus groups to explore issues and determine the job seekers' understanding of terms and concepts;
- pilot testing of questionnaires to enable fine tuning and the flow of the questions to be adjusted;
- fieldwork that ensures representative samples are used and the data collected by trained interviewers;
- analysis and reporting that incorporates significance tests to consider the differences between groups or survey results from different periods;
- factor and regression analysis to identify key drivers of satisfaction; and
- open-ended discussions with job seekers to provide in-depth information.

In addition to the sound methodologies, the job seeker satisfaction surveys also investigate comparable service aspects and comment upon the same programs or modified versions of these. In a similar vein, the customer satisfaction literature explored in Chapter 9 offers a broad consensus on those aspects of service that relate to satisfaction and that form the basis of investigation. For example, both the job seeker surveys and the customer satisfaction literature examine customers' perceptions of the attitudes and behaviours of employees, the appearance of the service facilities, the dependability and responsiveness of the service and the outcomes of the service encounter.

Accordingly, the capacity to use the findings of job seeker surveys across time to examine comparable data and establish trends in satisfaction should be high. However, even using the same research company with the same approach to measuring job seekers' satisfaction, the results show that even slight wording changes in a question from one survey to the next can have a significant impact on the levels of satisfaction. Therefore, regardless of other similarities such as sound methodologies and the satisfaction measurements of comparable service aspects, on the basis of the questionnaire wordings alone, the results of job seeker satisfaction surveys can fluctuate greatly.

In addition, concerns are raised about the impact of the censorship imposed on the results of the job seeker satisfaction surveys that were contained within the Freedom of Information request documents. The lack of complete and open information limits the ability to fully explore the methodologies applied, the total number of service attributes explored and the levels of satisfaction achieved.

There are also the impacts of other factors on the findings of job seeker satisfaction surveys. These factors include the wider surroundings, comprising such aspects as labour market shifts or changing political agendas, and variations in the immediate environment, for example program policy changes such as increased activity requirements and the impact of the changed arrangements governing service delivery. In addition, the

subjective nature of satisfaction means that data collection methods and analysis are unable to provide absolute and objective measurements of satisfaction.

A reasonable conclusion is that the differences between the surveys, the number of environmental variables that influence the results and the subjective nature of satisfaction measurements introduce too many biases to provide for accurate calculations of satisfaction that enable precise comparisons to be made across the different job seeker satisfaction surveys. As such, the findings derived from the job seeker satisfaction surveys described in this chapter need to be approached cautiously and be seen as reflecting a general position, rather than as accurate accounts of job seekers' satisfaction levels.

Chapter 11: The service effectiveness of Centrelink

The surveys discussed in the previous chapter are undertaken in comprehensive and systematic ways and they offer the capacity to paint a broad picture of the trends in job seekers' satisfaction over the period that Centrelink and the Job Network were established. This chapter examines the results of the survey instruments described in the previous chapter and combines this with additional research from independent studies and government reviews to expand on the survey findings. In this way a more complete understanding may be gained of trends in job seekers' satisfaction and the factors that may be impacting on specific aspects of service.

The chapter presents numerous charts and tables that have been constructed by combining the figures from the various satisfaction survey instruments that have been described in the previous chapter. While this chapter focuses on trends in job seekers' satisfaction with DSS/Centrelink, the following chapter considers the case of the CES/Job Network. In Chapter 13, a cross-sectional study of customer satisfaction with Centrelink compared to DVA is undertaken.

In comparing Centrelink's customer satisfaction levels with the previous arrangements, aspects common to both of these delivery systems and for which survey data is available

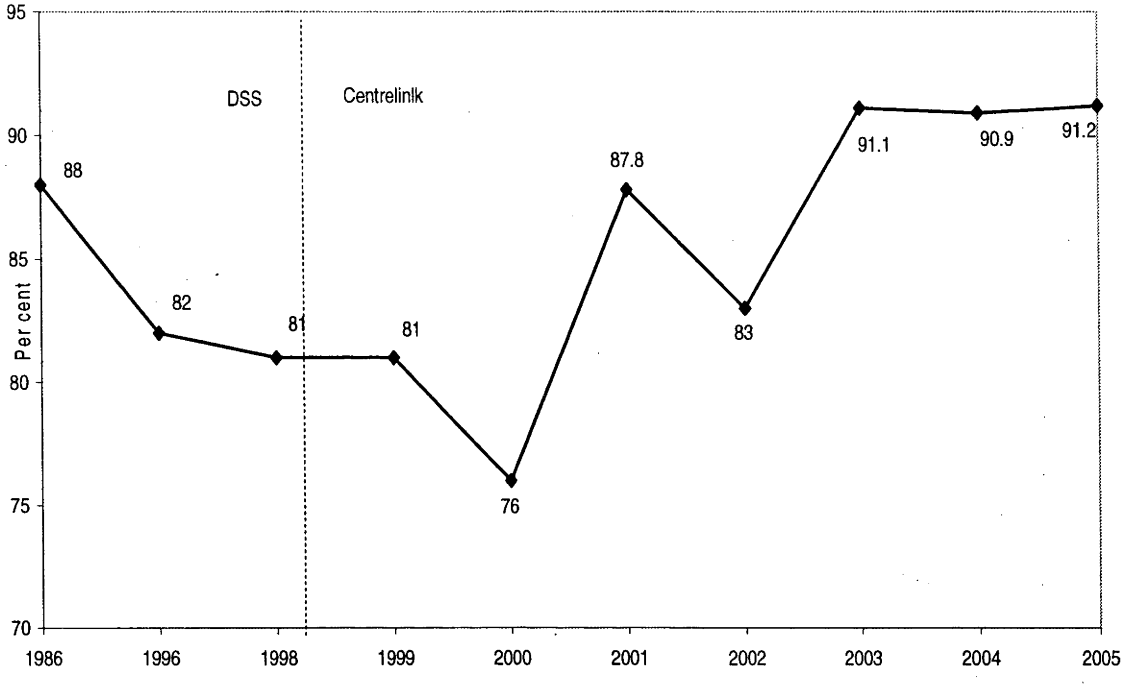
are examined. These service aspects include the accuracy of information, privacy of disclosed material, treatment by staff, waiting times, the process of registration, provision of information, the operation of self-help facilities and administration of the activity test. Finally, the analysis considers the overall level of job seekers' satisfaction with Centrelink.

Accuracy

Identified as an essential element of good customer service, is ensuring customers are provided with accurate information. Demonstrating the significance of accuracy as a prominent service aspect, all of the satisfaction surveys measure the respondents' perceptions of the accuracy of information that DSS/Centrelink provide. This section also examines the accuracy of payments that Centrelink provides, as payment accuracy is a delivery task that is of paramount importance in the delivery of income support.

Chart 11.1 plots job seekers' responses to questions on accuracy. In the case of the 1986 survey, the term 'accuracy' was not used in the questionnaire. Accordingly, the figure of 88 per cent for the 1986 survey comes from the question, 'were procedures explained properly?'. During this early period, and prior to Internet technology, DSS was not producing the extensive number of publications and pamphlets explaining the income support system that became available in later years. Chart 11.1 shows that satisfaction with the accuracy or correctness of information has always been reasonably high.

Chart 11.1: Percentage of customers satisfied with the accuracy of DSS and Centrelink information, 1986 to 2005



Sources: Survey instruments outlined in Chapter 10.

Apart from the decline to 76 per cent in 2000, the rate of job seekers' satisfaction to the accuracy of the former DSS's and Centrelink's information is above 80 per cent. Though, from the perspective of income support recipients, determining the accuracy of the information they receive is difficult to establish and would generally only be a perception.

Similarly, determining the accuracy of payment for an income support customer would not be straightforward and would require an understanding of the legislative provisions governing programs and the accompanying policy and procedural guidelines that expand on these provisions. Generally, the amount of income support is determined by the application of income and assets tests. Whilst the allowance assets test involves an immediate discontinuance of payment once a specific level of assets is reached, the income test for allowances comprises a free area and two withdrawal rates. The amount

paid may also involve eligibility for supplementary assistance, such as payments in respect of children or assistance with the payment of private rent, that also have different income tests. Furthermore, in the case of an unemployed person who is partnered, the income tests for each partner interact to determine the final rate of payments.

Another method to gain insight into the accuracy of Centrelink's benefit assessment is to consider audits undertaken by the ANAO. As no recent audits are available for unemployment payments, the findings of audits undertaken on the assessment of new claims for age pension (ANAO, 2001a) and the administration of the parenting payment (single) (ANAO, 2003b) are examined.

For the age pension, Centrelink had claimed an accuracy rate of 97 per cent in 1998-99 and 98 per cent in 1999-00. However, the ANAO examination of a random sample of new age pension claims found that around a quarter of new claims had an incorrect payment assessment. Centrelink's accuracy checking systems were shown to be incorrect, resulting in a significant underreporting of the claim assessment error rate. The ANAO concluded the integrity of Centrelink's external reporting was compromised and the capacity to effectively evaluate internal quality controls was impeded.

The objective of the parenting payment (single) audit was to determine whether the measures used by FaCS, as the purchaser of the delivery of parenting payment (single) from Centrelink, were effective. As part of this, the ANAO looked at the FaCS methodology for estimating the level of risk of incorrect payment and concluded that this was limited and reduced the department's ability to detect the error and non-compliance rate. Also, the ANAO found that in cases involving a Centrelink review of complex circumstances, some 18 per cent of cases contained an administrative error with an immediate impact on the rate of payment.

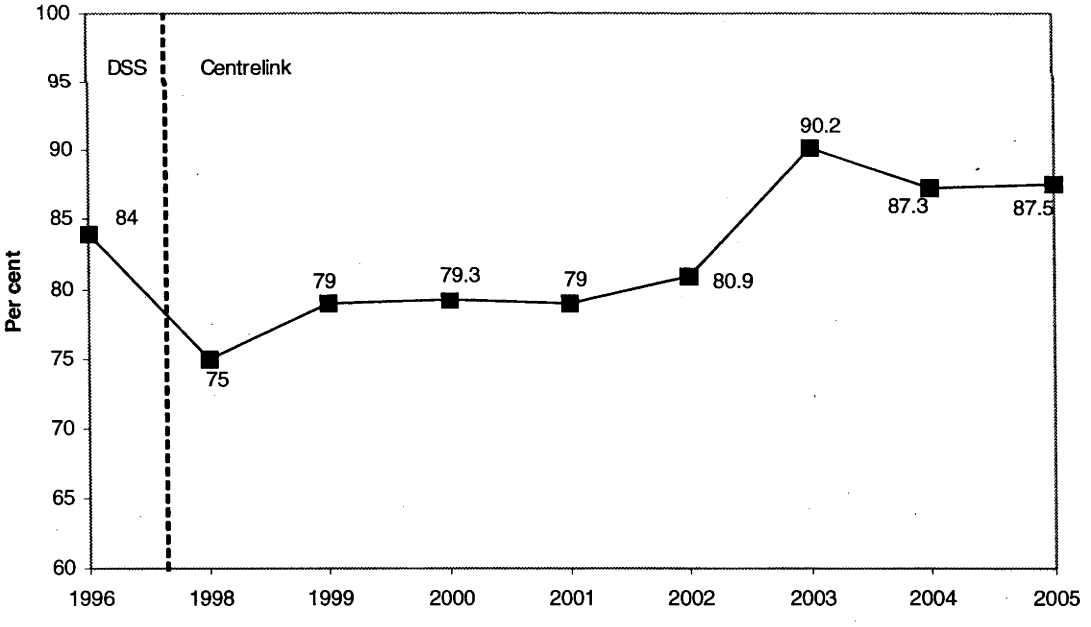
It is not unreasonable to suggest the level of incorrect payments for unemployment benefits is similar to the levels of error in payment amounts the ANAO found for age pension and parenting payment. However, customers are most likely unaware of these

errors. That is, despite the reasonably high levels of satisfaction that customers have with accuracy and correctness of information, most respondents would not be in a position to determine such accuracy. The findings do not suggest Centrelink is any worse or better than the previous DSS, but indicate that customers have a high level of faith in the accuracy of information and level of payment provided to them.

Privacy

The area of privacy is another example where job seekers express a high degree of satisfaction, but are unable to gauge the extent that the information they provide is used appropriately and remains confidential. Chart 11.2 indicates job seekers' responses to questions about the treatment of confidential information.

Chart 11.2: Percentage of customers satisfied with the privacy aspects of DSS and Centrelink, 1996 to 2005



Sources: Survey instruments outlined in Chapter 10.

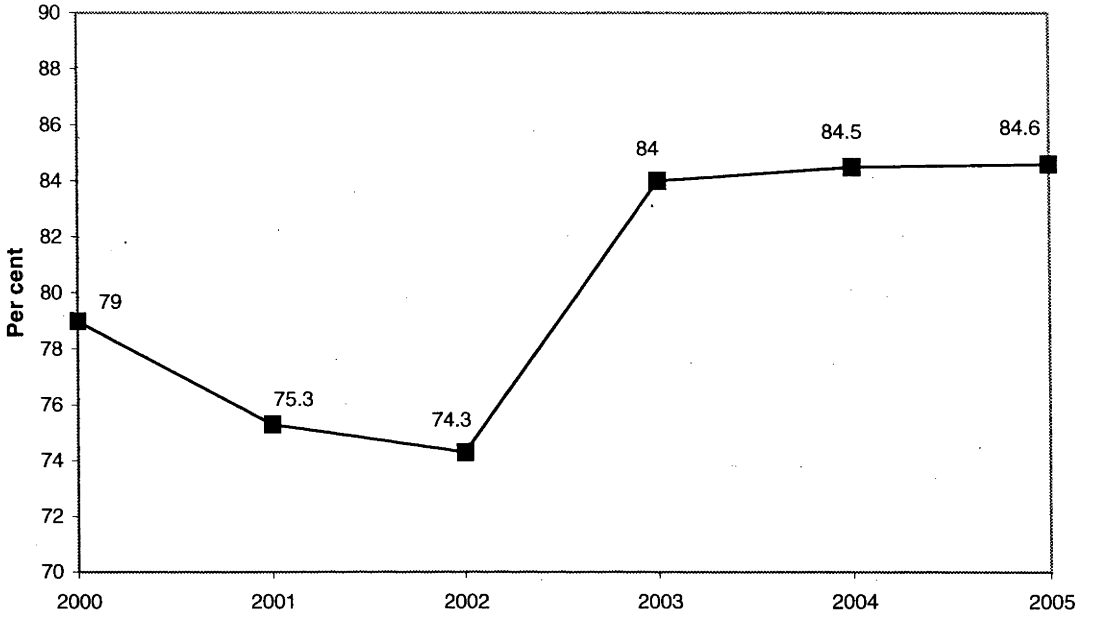
The consistently high levels of satisfaction that job seekers have for the way the department and Centrelink have treated private customer information is in contrast to other research that indicates this is not always the case. In August 2006, Centrelink announced that revised internal staff monitoring systems had found numerous instances of staff accessing customer information inappropriately (Centrelink, 2006). As a result of privacy breaches, in 2005 a total of 585 staff were sanctioned, including 19 dismissals, 92 resignations, more than 300 salary reductions or fines and five cases had been referred to the Federal Police or the Director of Public Prosecutions. A newspaper article that investigated Centrelink's internal privacy review notes that Jeff Whalan, Centrelink's chief executive officer, presents "the best possible spin" in declaring the privacy review to be internally driven and responsible for revised privacy protection, but that "he could hardly be proud of the fact that one in 50 broke the rules" (Malone 2006, p. B1).

As with the service element of accuracy, despite the high levels of job seekers' satisfaction, customers are not in a position to objectively determine the extent that the organisation treats information confidentially. This is the case for both Centrelink and the previous departmental structure.

Treatment by staff

For job seekers, their perceptions of the attitudes and behaviours of staff are consistently ranked as a key determinant of satisfaction. This means a job seeker who perceives they have been given poor service will tend to be dissatisfied overall with the service experience. The significance of this aspect of service is reflected in Centrelink's customer satisfaction index that weights 'staff' attributes at 30 per cent of the overall total. Chart 11.3 shows the level of job seekers' satisfaction with Centrelink staff.

Chart 11.3: Percentage of customers satisfied with Centrelink staff, 2000 to 2005



Sources: Survey instruments outlined in Chapter 10.

Chart 11.3 indicates changes in the level of job seekers' satisfaction with Centrelink over much of the period that Centrelink has been operating. In the years 2003 to 2005, job seekers' level of satisfaction with staff has been consistently above 80 per cent. Whether this is due to an increase in service quality, or the new survey methodology that came about in 2003 and has remained since, is uncertain. However, this information is of little use for a comparison of job seekers' perception of staff with the former DSS.

The DSS satisfaction surveys indicate positive responses from income support recipients to questions about treatment from staff, although these questions and the options for answers are too dissimilar from later Centrelink surveys to enable direct comparisons. The large-scale 1986 survey of around 5000 respondents rated very high levels of satisfaction to the questions about staff attitudes. These questions and the proportion of respondents who answered 'yes' are provided in table 11.1.

Table 11.1: Satisfaction levels to questions about staff attitudes from the 1986 Department of Social Security survey

Question	Level of satisfaction
Did they do all they could to help you?	93%
Did they care about you as a person?	83% (a)
Did they show concern for your problem?	79% (a)
Were they polite and courteous?	97%
Did they show respect for your point of view?	91% (a)

(a) A significant number of respondents replied 'not applicable' (for example, they may be receiving a non-stimulus payment and do not visit a social security office). The percentages shown in the table are calculated from the respondents to whom the questions did apply.

Similar to the 1986 survey results that are reported in table 11.1, the small scale qualitative survey undertaken in 1990 of a regional office in DSS indicates similar high levels of satisfaction with the treatment received from staff. In the 1990 survey, 93.3 per cent of respondents felt staff had adequately attended to their query and 97.6 per cent felt staff had been polite and helpful. As with the 1986 survey, respondents were offered a limited range of options for their answers —'yes', 'no' and 'don't know'.

In recognition of the variation in satisfaction levels that occur when the wording of questions are altered, the following table tracks the type of questions that examine staff attributes across the different surveys. As table 11.2 shows, the type of staff attributes examined in 1986, although similar, are framed differently to later surveys and the options for responses are different. For example, the 1986 survey asks respondents, "do they care about you as a person?' and the choice of answer is 'yes', 'no' or 'not applicable'. Later surveys did not ask this same question, but a similar sentiment is found in the question that asks job seekers, 'to what extent do you agree or disagree that Centrelink staff treated you like a person not a number'. These later surveys offer a larger range of responses that comprise, 'strongly agree', ''agree', 'neither agree nor disagree', 'disagree' and 'strongly disagree'. In relation to this question, the 1986 survey results report that 83 per cent of respondents agreed staff had cared about them as a

person compared to a range of between 69 per cent and 84 per cent of job seekers agreeing that Centrelink staff had treated them like a person and not a number. These results would suggest that customers' perception of their treatment by staff is not noticeably improved under Centrelink. However, the variations in the questions and options for responses are too wide to enable reliable comparisons between the earlier and later surveys.

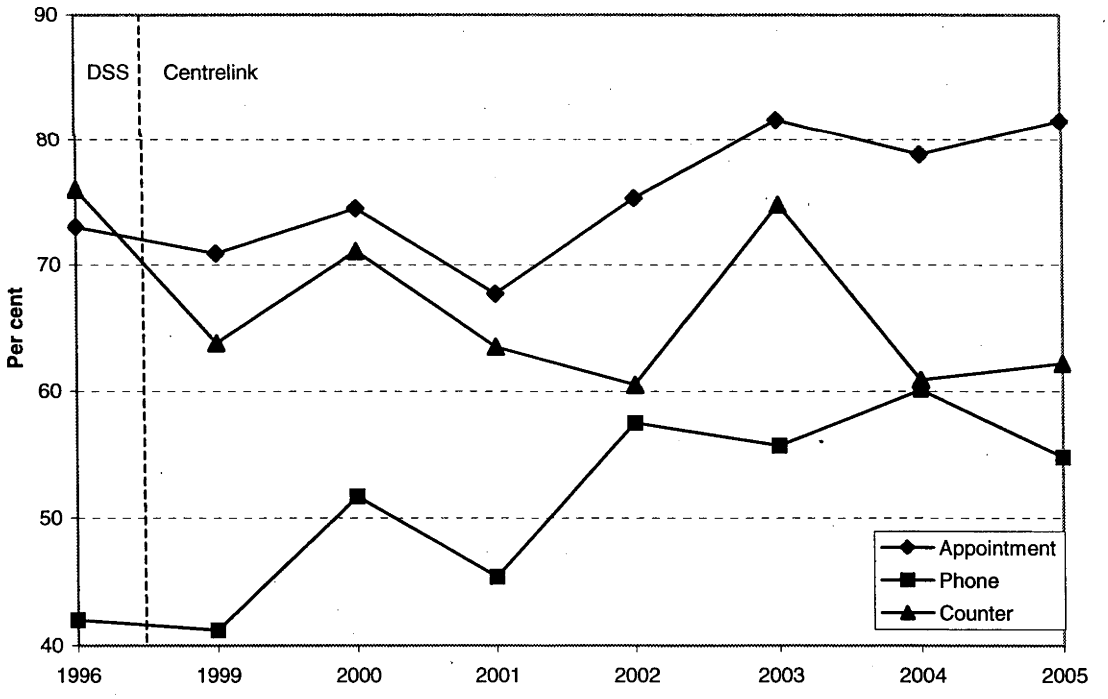
Table 11.2: Job seekers' perceptions of staff service aspects of the Department of Social Security and Centrelink

		DSS (% satisfied)		Centrelink (% satisfied)							
Response scales	**Question/Statement**	*1986*	*1996*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*
1986 = 2 point scale	Did staff do all they could to help you?	93									
	Did staff care about you as a person?	83									
	Did staff show concerns for problems?	79									
	Were staff polite and courteous?	97									
	Did staff show respect for your point of view?	91									
1996 to 2005 = 4 or 5 point scales	How do you rate:										
	• staff taking responsibility for getting things done		64								
	• staff communication skills		73								
	• the way staff treated you (being treated with respect and sympathy)		73	84	82	86					
	• staff friendliness/courtesy		74		83	87					
	• staff helpfulness		74	70	72	79	74	72	81	83	83
	Staff treat you like a person, not a number			71	69	77	73	72	84		
	Staff look neat and are professional			83	76	82					
	Staff act quickly to meet your needs				70	78	74	74	82	81	81
	Is a fair and reasonable organisation			85	79	87	83	82	87	87	85
	Gives the time and attention required				77	83	80	80	89	90	90
	The service is reliable and consistent			75	70	79	77	75	80	69	69

Waiting times

Given the large number of income support recipients, the extent that Centrelink is effective in dealing with contact from customers can be measured in customers' satisfaction with waiting times. Waiting times also form a component of those aspects of service that combine to form the Centrelink customer satisfaction index. In the following chart, the 1998 job seeker satisfaction survey of Centrelink is not included as it did not ask a question about satisfaction with waiting times. However, this survey noted that long queues at offices and long waiting times on the phone was a common problem with around 27 per cent of job seekers mentioning waiting times as the worst aspect of the services provided by Centrelink.

Chart 11.4: Percentage of customers satisfied with DSS and Centrelink waiting times, 1996 to 2005



Sources: Survey instruments outlined in Chapter 10.

Chart 11.4 shows that waiting times on the phone remain the poorest aspect of service delivery, although since the departmental survey of 1996 satisfaction levels have been increasing. The increase in phone waiting time satisfaction may be due to advances in teleservice centre technology. Waiting times at the counter have dropped by around 15 per cent in 2005, compared to 1996, although this feature is cyclical with high satisfaction levels recorded in 2000 and 2003. Satisfaction with appointments remains the strongest aspect of waiting times, but this may reflect the element of control that Centrelink are able to have in the case of pre-arranged appointments. Centrelink have also been able to take advantage of technological advances to streamline the appointment system, attach electronic documents to each booked appointment, record the type of services that particular staff can provide, when those staff are available, and access the next available appointment with the appropriate officer. These factors make comparison with DSS difficult as it is likely the department would have introduced similar technology-driven changes if it had remained intact.

Registration of job seekers

Prior to the establishment of Centrelink, an unemployed person was required to register as unemployed at the CES, then apply for unemployment payments at their local social security office. The formation of Centrelink enabled this process to be combined, so the assessment of an unemployed person for employment services and their eligibility for unemployment payments became integrated. This meant that unemployed people only needed to visit one location.

The one-stop shop aspect of the new arrangements was actively promoted by the government. In his address at the official launch of Centrelink, the Prime Minister, John Howard, stated that:

> In the past we have encouraged people to go from one location to another and we have often confused them with a lot of administrative duplication. And, in one very big stroke Centrelink cuts through that duplication. Centrelink consolidates in an efficient, modern fashion the major service delivery activities of the Federal Government (Howard, 24 September 1997).

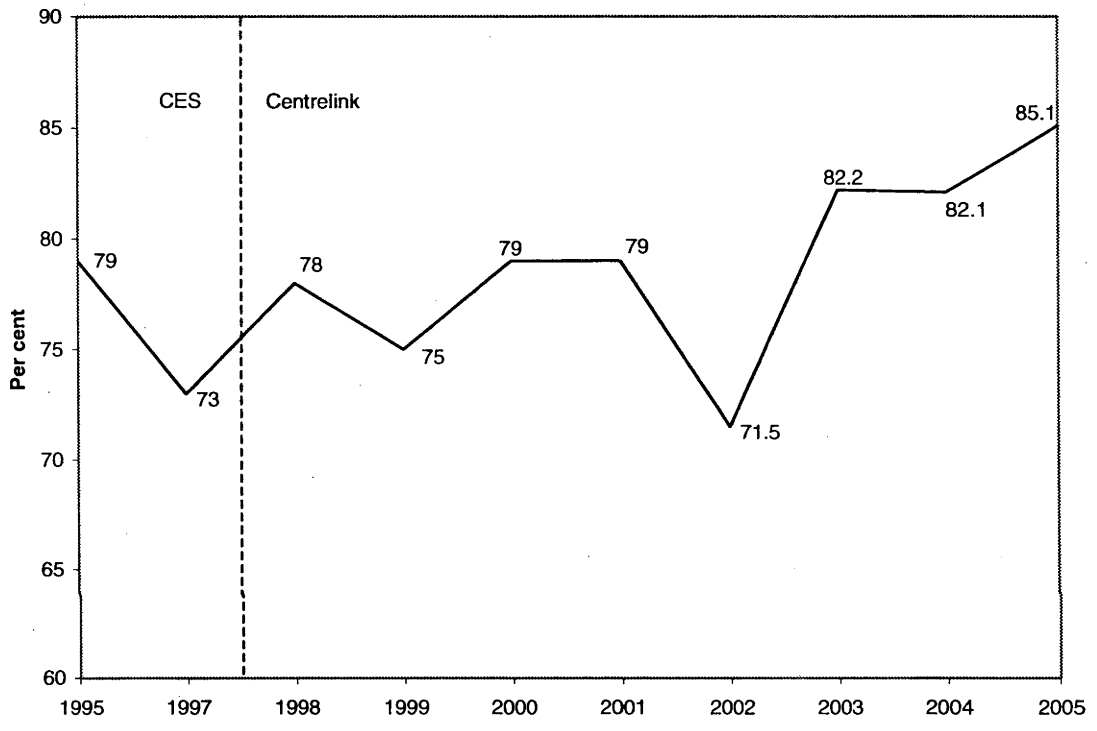
However, other changes in the delivery of employment services question the one-stop shop nature of the arrangements. When the Job Network was introduced, many of the services previously undertaken by the CES such as job matching services, job search training and intensive assistance, became the responsibility of Job Network members. Job seekers were required to register with a Job Network member in order to maintain eligibility for unemployment payments and, in many cases, job seekers registered with more than one Job Network member in order to access a greater range of vacancies. In effect, Centrelink became a first-stop shop for the unemployed and the Job Network became a many-stop shop. Other research has recognised the first-stop shop nature of the Centrelink arrangements for job seekers (OECD 2001).

The registration process involves visiting Centrelink to claim unemployment payments and registering as 'looking for work'. The process involves an interview to determine job seekers' eligibility for income support and job seekers are issued with a Job Network card and provided with information about local employment service providers. Group information sessions are also conducted that provide additional information. In addition, Centrelink administer a classification instrument to identify job seekers who are disadvantaged and may require early access to specialised employment assistance. In the early stage of unemployment Centrelink also negotiate a Preparing for Work Agreement setting out the job seekers' responsibilities and the Mutual Obligation activity to be undertaken following six months of unemployment. At the completion of the registration process a job seeker should understand their participation and obligation requirements, the employment services available to them and their rights of review and appeal.

To provide an indication of the quality of the registration process, all surveys, except the 1993 CES survey, provide ratings for job seekers' overall satisfaction with the registration process. The satisfaction of job seekers to the registration process, as indicated in chart 11.5, is reasonably stable and, for the period 1995 to 2002, is situated between 72 per cent and 79 per cent. However, in the period since 2002, all three surveys

have achieved a satisfaction rating for the registration process above 80 per cent. It is uncertain if the satisfaction levels in later years reflect improvements in the registration process or are a sign of the different survey methodology.

Chart 11.5: Percentage of customers satisfied with the overall registration processes of CES and Centrelink, 1995 to 2005



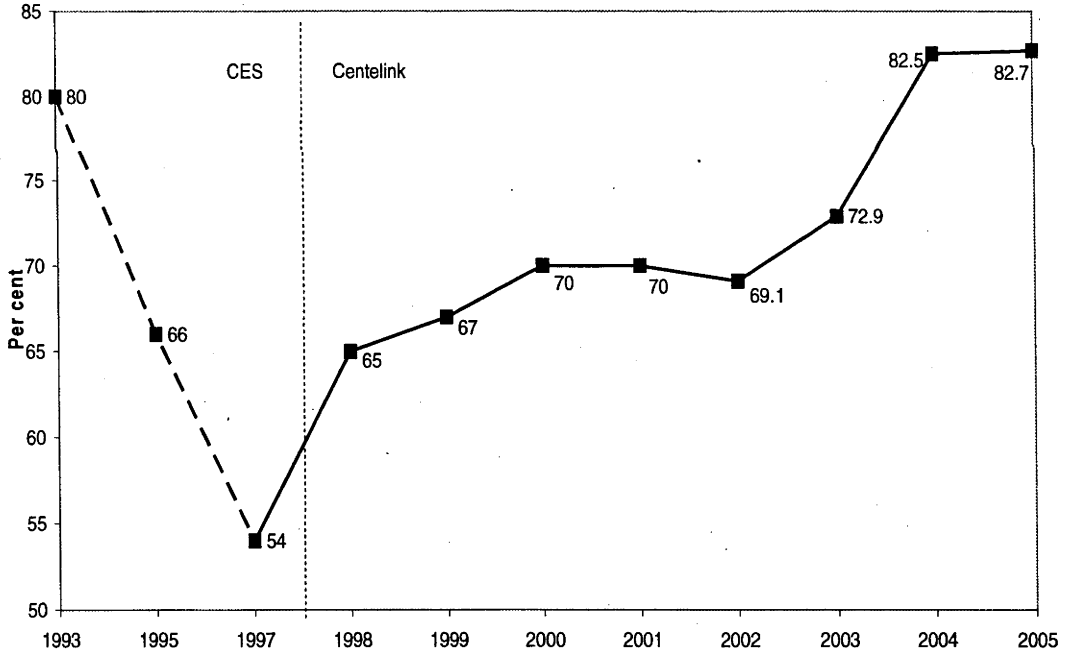
Sources: Survey instruments outlined in Chapter 10.

The provision of employment services information

As part of the reformed employment services market, the Job Network replaced the CES in the provision of employment assistance. However, as the first point of contact for job seekers, Centrelink is responsible for providing job seekers with information about Job Network members and the services they provide. Accordingly, this section examines the extent that job seekers are satisfied they received a good understanding of the services and help available to them.

The surveys from 1997 until 2005 all ask a similar question of whether job seekers are satisfied they were given a good understanding of the employment services available to them. However, in the earlier CES surveys of 1993 and 1995, no such question was asked. For 1993, the question chosen as most closely aligning with having a good understanding of the employment services available is respondents being asked to think about all the information and assistance they had received and whether the information was 'all that they needed to know'. The options for responses were, 'yes', 'no' and 'don't know', with only three per cent nominating 'don't know'. In the 1995 survey, respondents were asked how useful was the information they received, with four responses providing the choice of 'very useful', 'somewhat useful', 'not that useful' and 'no use at all'.

Chart 11.6: Percentage of customers satisfied with the employment services information received from CES and Centrelink, 1993 to 2005



Sources: Survey instruments outlined in Chapter 10.

Chart 11.6 shows the percentage of job seekers who were satisfied with the information received from Centrelink about the Job Network services available to them has been

reasonably steady over the period 1998 to 2003, hovering around 70 per cent. Significant increases in 2004 and 2005 reflect either the new survey methodology or a period of stability following the commencement of the third Employment Services Contract in mid-2003 and a settling down of employment policy changes. The figures relating to 1993 and 1995 relate to different questions and do not provide suitable points for comparison. However, the low figure of 54 per cent in 1997 does relate to a comparable question that asked job seekers if they were given a good understanding of the range of service available to them. It is likely the result for 1997 is reflecting a period of uncertainty. At this time, the new employment services market had been announced, but not yet commenced and departmental activity was directed towards implementing the new arrangements. At the same time, an extensive range of employment programs were being abolished, to be cashed out into the employment placement market. Uncertainty about the types of labour market programs available to job seekers may have been high and partly responsible for the low level of job seekers' satisfaction recorded in the 1997 survey.

Provision of information - Choice of Job Network Provider

A major design feature of the Job Network is the capacity for job seekers to choose their Job Network members. This feature, based on the idea that effective markets operate with fully informed consumers making choices, presumes that job seeker choice promotes a more effective Job Network because providers compete with one another to attract eligible job seekers. The reason for exploring this aspect of service delivery is that job seekers' choice is facilitated by the degree that Centrelink provides appropriate information. The issue of job seekers' choice was not relevant to the CES, so a comparative analysis cannot be undertaken. However, this aspect of the Job Network arrangements was central to its design, so examining job seekers' choice of their Job Network members is useful.

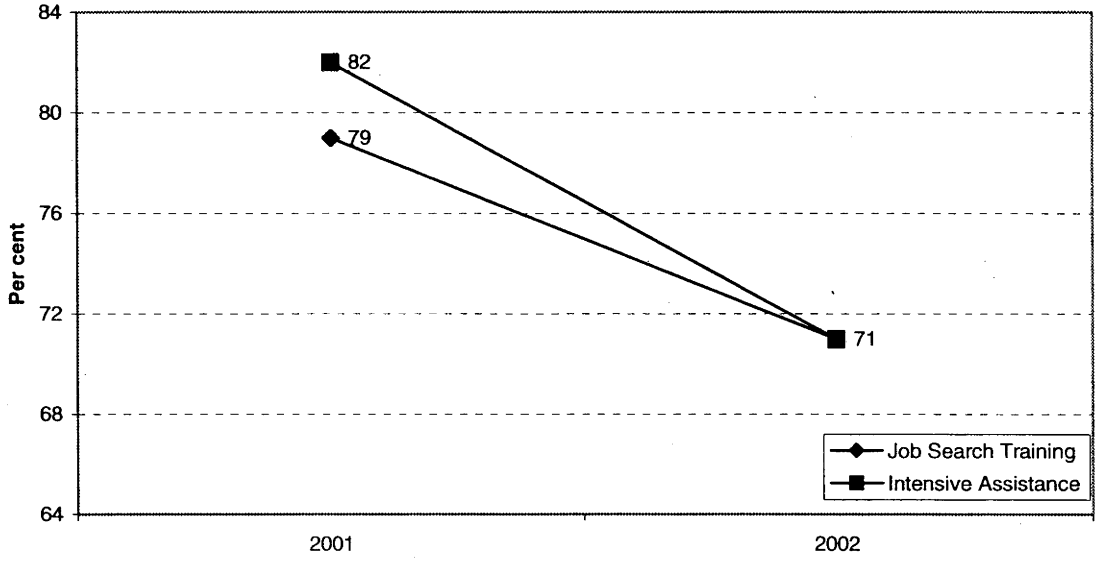
It should be noted that job seekers' choice was always moderated by a system able to allocate job seekers to specific Job Network members. For example, under the third

Employment Services Contract, a Job Network member is allocated a specific business share of job seekers, although this share does not include 'Job search support only', that is, job seekers who are generally not in receipt of an unemployment payment. Centrelink manages the allocation of job seekers to within 20 per cent of the contracted business share. This means the number of job seekers available to the Job Network member is between 80 per cent and 120 per cent of the provider's business share. If a job seeker does not nominate a Job Network member within a certain period of time, an automatic referral process operates that takes account of a Job Network member's business share.

The design of a system that is based on the inconsistency between job seekers' choice and contracted business share has been criticised. In a study conducted during the early period of the Job Network's operation, a Job Network member had reached their contracted limit well before the end of the contract period and, although able to bring forward allocations from subsequent months, the result would be no fee-attracting job seekers for the last few months of their contact (Kelly, Lewis, Mulvey, Norris and Dockery 1999, p. 27). Despite being a successful provider, the closure of this Job Network business was expected to take place when new job seekers were unable to be referred to the business.

The job seeker satisfaction surveys do not explore the specific aspect of job seekers choosing their Job Network provider. However, a 2002 report from DEWR provides some insights (DEWR 2002d). The report indicates that 74 per cent of job search training and intensive assistance recipients were satisfied with the information provided by Centrelink to help them choose a Job Network member. In terms of the level of choice, this was lower than the figures reported in 2001 for job seekers undertaking job search training or intensive assistance, as shown in the following chart.

Chart 11.7: Proportion of job seekers who choose their Job Search Training or Intensive Assistance provider, 2001 to 2002

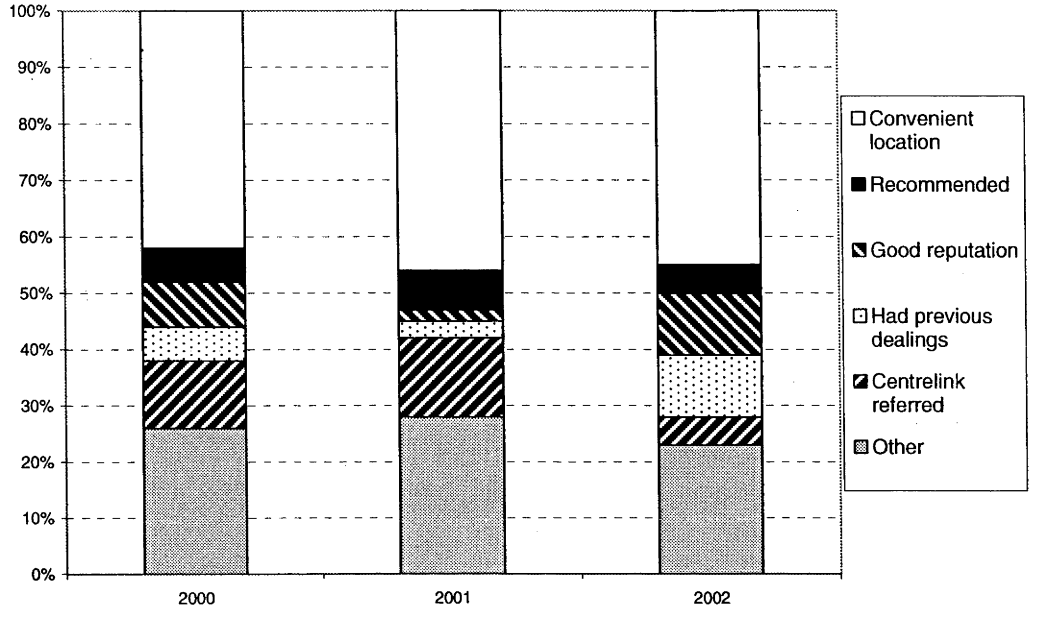


Source: DEWR 2002d

The employment department has reported there is some confusion among job seekers about the referral process and their right to choose a Job Network member. This confusion and lack of choice may be worse for disadvantaged job seekers. Research by Abelló and MacDonald (2002) on disadvantaged job seekers found they exercised little choice in decisions about who would become their providers and expressed powerlessness in having any impact on the quality of service delivery. In terms of the quality of information about providers given by Centrelink, job seekers considered this very poor and that it often comprised of no more than a name and location details (Abelló and MacDonald 2002. p. 58). For disadvantaged job seekers who may be accessing more intensive forms of employment assistance, the choice of Job Network provider may be even more limited given the specialised assistance these job seekers require.

When job seekers exercise their choice of provider, by far the most common reason for choosing a Job Network member is the convenient location. Chart 11.8 shows the proportion of job seekers that provided specific reasons for choosing their Job Network members.

Chart 11.8: Reasons for choosing a Job Network member, 2000 to 2002



Source: DEWR 2002d

It is not surprising that convenient location would be the most common reason for choosing a Job Network member, given the costs of transportation and the limited access to funds for the unemployed. But, such a choice becomes even less surprising in the context that access to information about the performance of Job Network members may be difficult to obtain. Jobs Australia (2002), the national peak body representing and providing services to not-for-profit Job Network members, is concerned about evidence that shows job seekers lack information about provider performance and do not exercise choice of provider based on performance information. Similarly, Bruttel (2004) indicates that, whilst information in the form of the Job Network Star Ratings system is provided, locating this information by welfare recipients may be difficult.

Overall, the research and survey data suggests that job seekers exercising choice in their provider is not operating as intended. A more extreme view is that the Job Network

constitutes a network for governing citizens where the idea of choice is used for its fashionable appeal (McDonald, Marston and Buckley 2003, p. 502).

In what could be viewed as a limitation on job seekers' choice of provider, the third Employment Services Contract introduced arrangements that require job seekers to remain attached to a single Job Network member for the entire duration of their unemployment. Furthermore, if a job seeker exits the system and then returns within 12 months from the date of payment cancellation, they return to this same Job Network member. A job seeker is only able to change providers in limited circumstances, for example, in the case of an irretrievable breakdown in the relationship or where the job seeker changes location. Such rules make the choice of Job Network member more critical for job seekers.

The Productivity Commission's final report into the Job Network (2002) notes the absence of publicly available data on job seekers' choice is symptomatic of a lack of transparency. Additionally, the Commission notes conflict in the figures surrounding the choice of job seekers. DEWR has indicated that 56 per cent of job seekers choose their provider (lower than the 71 per cent in 2002 indicated in the departmental publication that provided the data in chart 11.7), whereas Centrelink informed the Commission that only 20 per cent of job seekers choose their providers. Along similar lines, a number of providers suggested to the Commission the employment department's data on job seekers' choice was at variance with their experiences. Organisations such as Jobs Australia, Job Futures, Salvation Army Employment Plus and Un(der)employed People's Movement Against Poverty, all considered that job seekers rarely exercise choice in their Job Network provider. Ultimately, the Commission estimated that around 30 per cent of job seekers choose their providers.

Finally, findings from an ANAO performance audit (2005e) cast doubt on the information provided by Centrelink to assist job seekers in making an informed choice about their provider. The ANAO undertook an indicative assessment of the quality of such information from four Centrelink customer service centres and found that

information provided in seminars and in display areas was "variable, often poor, and did not meet minimum requirements specified in the Business Partnership Agreement" (ANAO 2005e, p. 21). Furthermore, the information sessions for job seekers were often conducted after job seekers had decided on their Job Network provider.

While the absence of recent data on job seekers' choice of their Job Network member is disappointing, it also raises concerns that aspects of the employment services reform that are not operating as intended are not fully disclosed.

Self-help facilities

Another means for measuring the effectiveness of Centrelink in providing employment assistance to job seekers is examining satisfaction with self-help facilities. While the Job Network replaced most of the employment services provided by the CES, Centrelink formed the basis of the first tier of job search support with the availability of self-help services. These services include information about Job Network members to facilitate job seekers' choice, general information about other relevant services, such as migrant services, and additional job search assistance including the use of free resources such as telephones, fax machines, photocopiers, newspapers and computers for preparing and printing job applications.

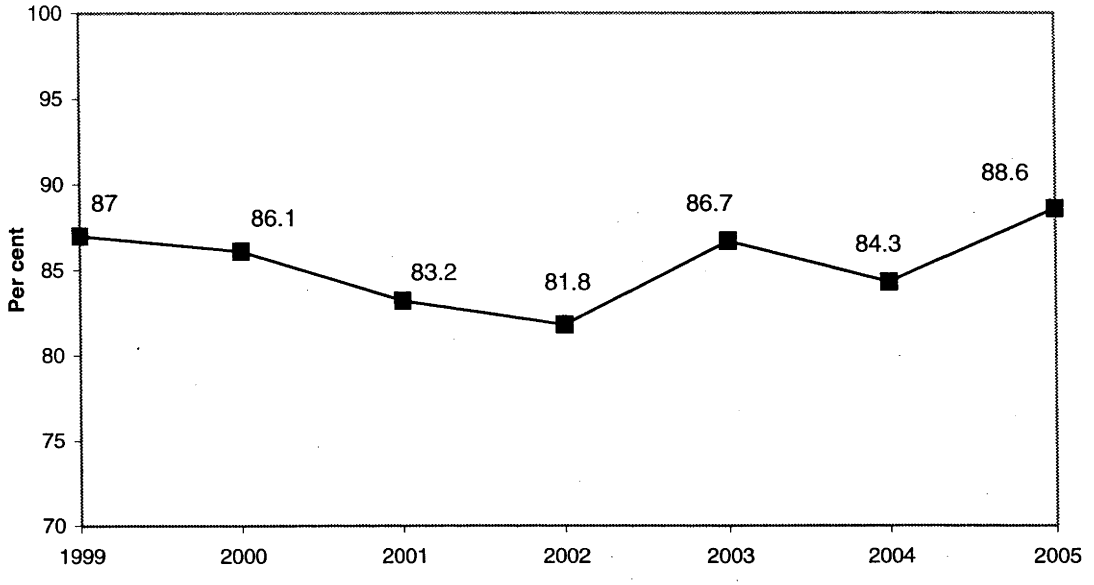
The key element of the self-help facilities is a national vacancy database available via touchscreens. The database contains a range of open vacancies providing full details of jobs including the contact information for employers and closed vacancies requiring applicants to be screened before referral. Comparing the self-help facilities of Centrelink with the assistance available from the CES would be inappropriate. The availability of touchscreen technology was in its early stages of development when the CES was being abolished and the previous system involving job cards placed on job boards is too dissimilar. As such, it would be incorrect to attribute the Job Network with the introduction of the touchscreen technology and the national vacancy database. The

introduction of these systems would have taken place regardless of whether the reformed employment services were introduced. For example, by mid-1996, shortly following the change of government, more than 2200 touchscreens had been installed in CES offices.

Nevertheless, as this aspect of Centrelink's service has replaced the initial level of assistance provided by the CES and as self-help facilities remain a component of the customer satisfaction index used by the department to assess overall customer satisfaction, it is appropriate to consider. Paradoxically, while the job seeker satisfaction surveys pose questions relating to the self-help facilities, qualitative research for the 1997 CES survey found that customers perceive self-service as 'no service'. However, these perceptions fail to recognise the organisations must provide the facilities, maintain them and assist job seekers with using the facilities when required.

Touchscreen technology was an aspect of self-help service that was being developed in the 1990s. The 1995 CES survey of job seekers notes how several job seekers expressed frustration with the inaccuracies on job cards that were placed on job boards. Job cards were often out of date and contained insufficient information to enable job seekers to determine their eligibility for a particular job. It was hoped the introduction of touchscreen technology would solve some of these problems, with access to a far wider pool of vacancies and additional information about the positions. Responses from a 1995 qualitative study of job seekers from an office where the touchscreens were being trialed, were all positive.

Chart 11.9: Percentage of customers satisfied with Centrelink's self-help facilities, 1999 to 2005



Sources: Survey instruments outlined in Chapter 10.

Chart 11.9 indicates that satisfaction with the self-help facilities at Centrelink has been at consistently high levels throughout the period 1999 to 2005. However, these figures are not straightforward. A 2002 DEWR (2002e) survey of self-help facilities indicates that while the majority of job seekers had used touch screens (76 per cent), there had been an increase over the previous year of job seekers who had never used the facilities. This trend continues and despite the high level of satisfaction in 2005, only 44.5 per cent of job seekers were using the touchscreens, compared with 83.2 per cent in 2001. One of the reasons for the decreased usage would be the increase in access to the Internet both in the home and public places such as libraries. However, another reason may have to do with the reliability of information available on the jobs database. In 2002, of the job seekers who had used touchscreens, 25 per cent indicated the job was no longer available, 19 per cent said the information about job vacancies was not up to date and 18 per cent were not satisfied that enough information was available to decide if the job was suitable.

Studies of the Job Network have been critical of the quality of information on the national vacancy database. Perhaps as a result of the difficulty in making profits under job matching services, and the incentives that outcome payments provide, Job Network members have been found to engage in improper practices with the technology. For example, Kelly, Lewis, Dockery and Mulvey (2001, p. 25) found that vacancies may be listed more than once and it is not apparent to job seekers that a multiple listing is occurring. Also, phantom jobs may be listed when jobs are already occupied, but the listings are required in order to attract outcome payments. Finally, Job Network members may hoard vacancies until a job seeker is registered with them that suits the job description (McNally 2003, 16). It would appear that whether a jobs vacancy system operates manually or electronically, the benefits are only as good as the processes established to maintain, update and monitor the quality of the information provided.

In due course, the job search facilities provided in Centrelink offices have been scaled down. In 2003, under the third Employment Services Contract, the facilities enabling job seekers to undertake job searching were to be established by all Job Network members. These facilities include touchscreen kiosks for job seekers to search for employment, maintain rèsumès on-line and check the outcome of automatic job matches. Telephones are also required to be available as well as the capacity to print professional rèsumès. In recognition of this, the 2004 and 2005 surveys, limit the self-help facilities questions specifically to touchscreens.

Administration of the activity test

In announcing the proposed reforms to employment assistance, the government considered some key results from international research. This research discussed the role of income support eligibility and its influence on the effectiveness of active labour market policies. The main feature of these policies was the application of benefit sanctions to compel job seekers to actively engage in job searching and any other additional requirements (Vanstone 1996, p. 7).

At the commencement of the Job Network, the social security legislation contained provisions that required job seekers to enter into activity agreements. Job seekers risked financial penalties such as reduced or complete loss of payment, if they did not comply with the terms of their activity agreements. However, activity agreements did not apply to all job seekers. For example, Return to Work Plans operated under these provisions of the legislation, but only applied to long-term unemployed job seekers who were being case managed.

Given the emphasis under the Job Network of active participation, the Coalition government introduced a range of measures designed to require job seekers' participation. For example, Preparing for Work Agreements were introduced using the same legislative provisions that supported the Return to Work Plans. However, Preparing for Work Agreements are required of all unemployed job seekers from commencement on the unemployment payment, unless the job seeker is exempt for reasons such as being temporarily incapacitated. The government also introduced a 'Job Seeker Diary' for the first three months duration of unemployment that is checked each fortnight and has increased the number of jobs that job seekers need to apply for. Another example is the Mutual Obligation Initiative that requires a person, who has been receiving unemployment payments for six months, to undertake an activity for a specified number of hours and period. The standard involvement is 30 hours per fortnight over a period of around six months.

As a result of the emphasis on active participation and the increased requirements placed upon job seekers, Centrelink's role in oversighting a job seeker's obligations and imposing financial sanctions for non-compliance has become more involved than when services were delivered by DSS and the CES. Job Network members are also able to monitor a job seeker's participation and inform Centrelink if a job seeker is not compliant with their obligations. As a result, dramatic increases in the number of sanctions took place and, in the first four years of the operation of Centrelink, financial penalties

imposed on job seekers rose by 220 per cent. Table 11.3 outlines the number of breaches that were applied in this period.

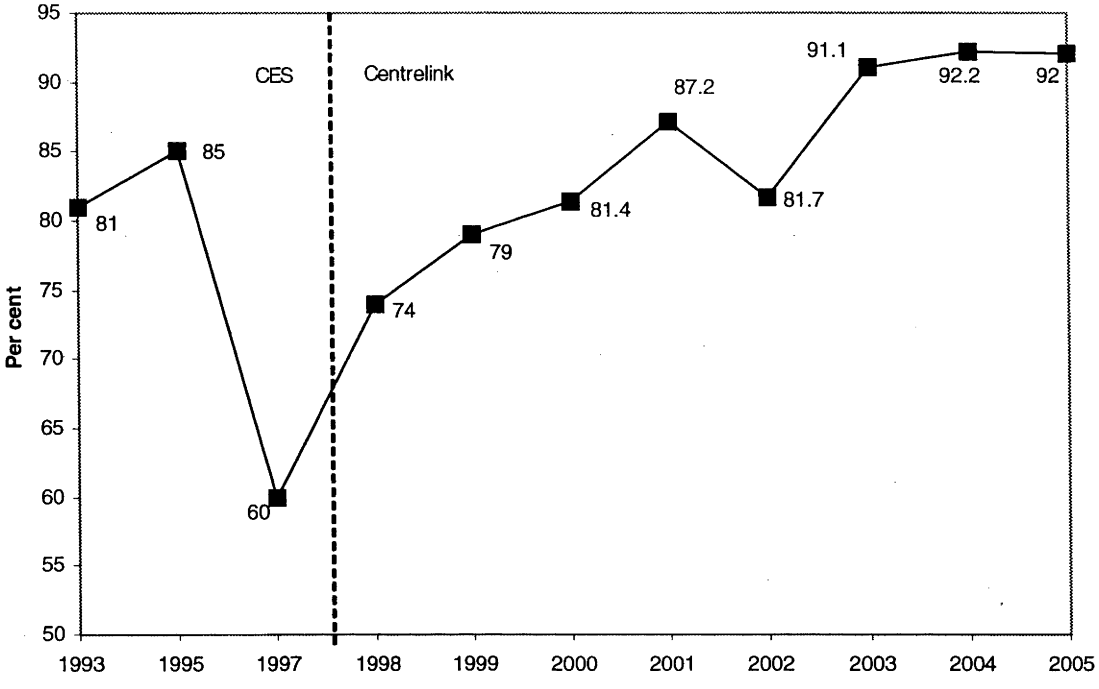
Table 11.3: Breach numbers, 1997-98 to 2000-01

Year	1997-98	1998-99	1999-00	2000-01
No. of breaches	120,718	165,492	223,350	386,946

Sources: FaCS Annual reports

The different emphasis placed upon job seekers' participation and obligation requirements under the Job Network make comparisons of the framework operating before and after the Job Network difficult. However, the role of Centrelink in ensuring that job seekers understand their obligations, the consequences of non-compliance and their rights of appeal are similar to the former role of the CES. The following chart indicates that job seekers' knowledge of their rights and obligations has generally been high. The decline in 1997 may reflect the introduction of active labour market policies and the period when obligations were less certain.

Chart 11.10: Percentage of job seekers satisfied with the information provided by CES and Centrelink about rules and responsibilities, 1993 to 2005



Sources: Survey instruments outlined in Chapter 10.

With apparently high levels of job seekers understanding their participation requirements and the possible consequence of a sanction for non-compliance, it is interesting to reflect on the substantial increase in the number of breaches being imposed following the commencement of active labour market policies.

Whilst the expansion of requirements placed upon job seekers increased during the early period of the Howard government, the figures relating to job seekers' knowledge of the rules and their responsibilities, as shown in chart 11.10, indicate a high degree of awareness. This would suggest the reasons for the increase in breach numbers is not a result of job seekers' lack of knowledge about the requirements placed upon them, but may be due to other factors. For example, breaching may be used by some providers to re-engage job seekers. In this process, marginalised job seekers are compelled through the breaching regime to re-engage with their Job Network providers and this may result

in job placements and consequent outcome payments for Job Network members. Moreover, the breach recommendations of Job Network members are downplayed as Centrelink make the final breach decisions and, from the job seekers' perspective, Centrelink is held responsible for any hardships these breaches impose.

A number of internal and external investigations into the high levels of breaching took place in 2001 and 2002. However, prior to the conclusions of these investigations, and the consequent modifications to the breaching policies that were recommended and adopted, the level of breaches began dropping dramatically. Following the peak of breach number in 2000-01 of around 387,000, the numbers dropped to around 260,000 in 2001-02 and declined further to around 100,000 in 2002-03. These breach reductions were unusual given they occurred without substantial changes taking place to participation requirements and prior to the recommendations of the breaching reviews being fully implemented. It appears that when welfare groups, the media and government expressed concerns about the high levels of breaching, the levels began to decline.

One suggestion for the fluctuation in the number of breaches is that Centrelink staff applied a strict interpretation of the active employment policies promoted by the government during the early period of these changes, then responded to the strong criticisms of the impact of these policies on highly disadvantaged job seekers by reducing the number of breaches applied. This suggestion indicates the high level of discretion available to Centrelink staff in the decision to apply a breach and, therefore, the possibility that inconsistent breaching decisions are applied to unemployed people. Other research supports the inconsistent application of breaching decisions and the implications this has for the overall fairness and equity of the process (Bigby and Files 2003).

Overall satisfaction

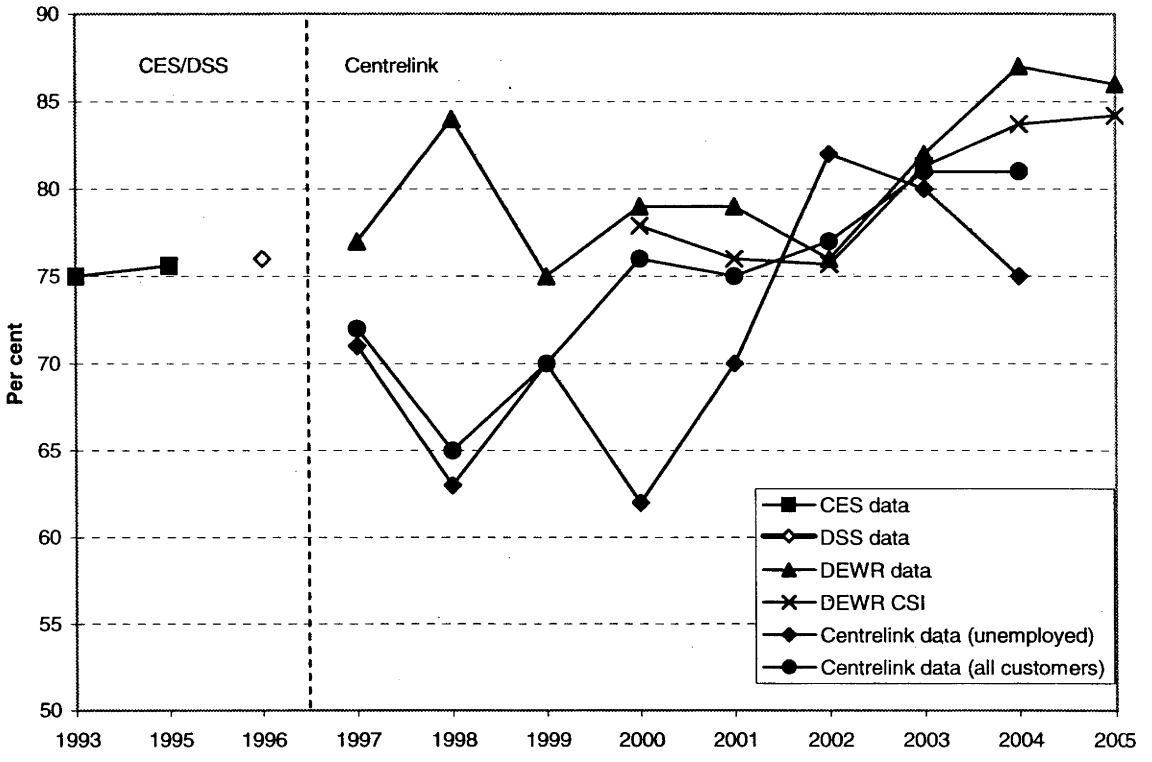
To conclude this chapter, the survey findings that measure the overall satisfaction of job seekers to Centrelink's employment services are examined. The following chart provides

a number of alternative satisfaction measurements for job seekers. These measurements have been taken from the following sources:

- CES – 1993 to 1995;
- DSS – 1996;
- DEWR – overall satisfaction measures from 1997 to 2005;
- DEWR – customer satisfaction index from 2000 to 2005; and
- Centrelink – overall satisfaction measures ('all' customers and 'employment payments only' customers) from 1997 to 2004.

The Centrelink data is derived from national customer satisfaction surveys that Centrelink undertake in November each year of around 1600 customers. Centrelink commissions a market research company to undertake these surveys via telephone calls to customers. Although recent contact with Centrelink is not a requirement of the surveys, the interviews are done with 'current' Centrelink customers and, as unemployment payments are based on the stimulus of lodging a continuation claim form, these customers would have been in recent contact with Centrelink. The Centrelink survey data was obtained through a Freedom of Information request.

Chart 11.11: Percentage of job seekers satisfied with the overall employment services of CES/DSS and Centrelink, 1993 to 2005



Sources: Survey instruments outlined in Chapter 10.

Chart 11.11 shows the overall ratings of job seekers' satisfaction with Centrelink services obtained from the numerous surveys the different organisations have undertaken. The results from the DEWR surveys that measure satisfaction are not that dissimilar from the results of the DEWR customer satisfaction index. A reason for this has been suggested earlier and this proposed that the two methods for measuring satisfaction reflect similar perceptions about the same service attributes. However, data from the Centrelink surveys shows a lower level of satisfaction, with 'employment payment' customers generally less satisfied than 'all' Centrelink customers.

The difference in the levels of overall satisfaction between Centrelink data and data from DEWR is the most interesting feature to emerge from chart 11.11. The overall satisfaction levels are generally much lower in the Centrelink data. For example, in the

years 1998 and 2000, the Centrelink surveys record levels of overall satisfaction almost 20 percentage points lower than the levels of overall satisfaction determined by the DEWR surveys.

Also, it is often the case that the Centrelink and DEWR sets of satisfaction data move in the opposite direction. For instance, from 1997 to 1998, the overall satisfaction of Centrelink's unemployment customers declines from 71 per cent to 63 per cent, while the level of satisfaction from DEWR's survey of job seekers increases from 77 per cent to 84 per cent. In the following year, overall satisfaction from Centrelink's data increases from 63 per cent to 70 per cent, while the satisfaction level from the employment department's data declines from 84 per cent to 75 per cent. In every year when the survey data on overall satisfaction is available from the two organisations, the levels move in opposite directions, except for the period between 2000 and 2001, when the employment department's data on level of overall satisfaction remains stable at 79 per cent while Centrelink's data shows an increase from 62 per cent to 70 per cent.

To make sense of the variations in the different measurements of overall satisfaction, the questions asked in each of the surveys are compared. Where possible, table 11.4 illustrates the overall satisfaction questions asked in the different surveys.

Table 11.4: Overall satisfaction questions asked in the surveys, 1993 to 2005

Year	DSS survey	CES surveys
1993		Now thinking of the service that you have been given by the CES, overall have you been satisfied or dissatisfied with that service?
1995		Now thinking of the service that you have been given by the CES, overall how satisfied are you with that service?
1996	Thinking about all your experiences dealing with DSS, how would you rate the overall quality of their people, services and information?	
	Centrelink surveys	**DEWR surveys**
1997	Thinking about all your experiences dealing with Centrelink, how would you rate the overall quality of their people, services and information?	Questionnaire not provided
1998	as above	Overall, how satisfied are you with the standard of service you get at Centrelink?
1999	as above	Questionnaire not provided
2000	as above	Thinking now about all aspects of the employment services provided by Centrelink, would you say that overall you were satisfied or dissatisfied?
2001	as above	as above
2002	as above	as above
2003	as above	Now thinking about the employment services provided by Centrelink, overall, to what extent were you satisfied or dissatisfied?
2004	as above	Thinking about the services provided by Centrelink, overall, to what extent were you satisfied or dissatisfied?
2005		as above

The questions are reasonably similar, although the Centrelink surveys direct respondents to consider the overall quality of the 'people, services and information of Centrelink', whereas the DEWR surveys question respondents more generally about either the 'employment services provided by Centrelink' or the 'services provided by Centrelink'.

In this regard, the Audit Office comments on the questionnaire quality of Centrelink's surveys and suggests the overall satisfaction question is too long, comprising several parts, and is difficult for customers to respond effectively (ANAO 2005b). However, it is not apparent the differences between Centrelink's results and the employment department's results and the movements of satisfaction levels in sometimes opposing directions are due to variations in the questions that are being asked.

An alternative explanation may be found in the methodologies by which the surveys are conducted. The ANAO (2005e) investigation into the job seeker omnibus surveys conducted by DEWR found the surveys to be of high-quality and involving systematic client research. A more detailed examination by the Audit Office into Centrelink's customer satisfaction surveys was more critical of the methodologies (ANAO 2005b). However, some of the criticisms applying to Centrelink's surveys seem equally applicable to the employment department's surveys. For example, the Audit Office raises concerns with the sample validity of the Centrelink surveys commenting on the non-response issues that are a feature of telephone interviewing, such as not being able to contact homeless people, those with a drug or alcohol dependency problem, or those customers that have no phone or a silent number. Such sample validity concerns are equally applicable to the job seeker omnibus surveys undertaken by DEWR, which also use telephone interviews to obtain data.

Turning to the customer satisfaction literature to make sense of the variations within and between the different organisations' job seeker surveys, a clear message emerges about the impacts that multiple factors bring to these measurements. The program policies, methods of delivery and the economic and political environments, are not constants, but shift and change particularly during a period following large-scale reform such as with the establishment of Centrelink and the Job Network. In a similar manner, the customer satisfaction literature cautions researchers that customer satisfaction measurements are not an accurate reflection of an objective truth. Rather, numerous and intangible

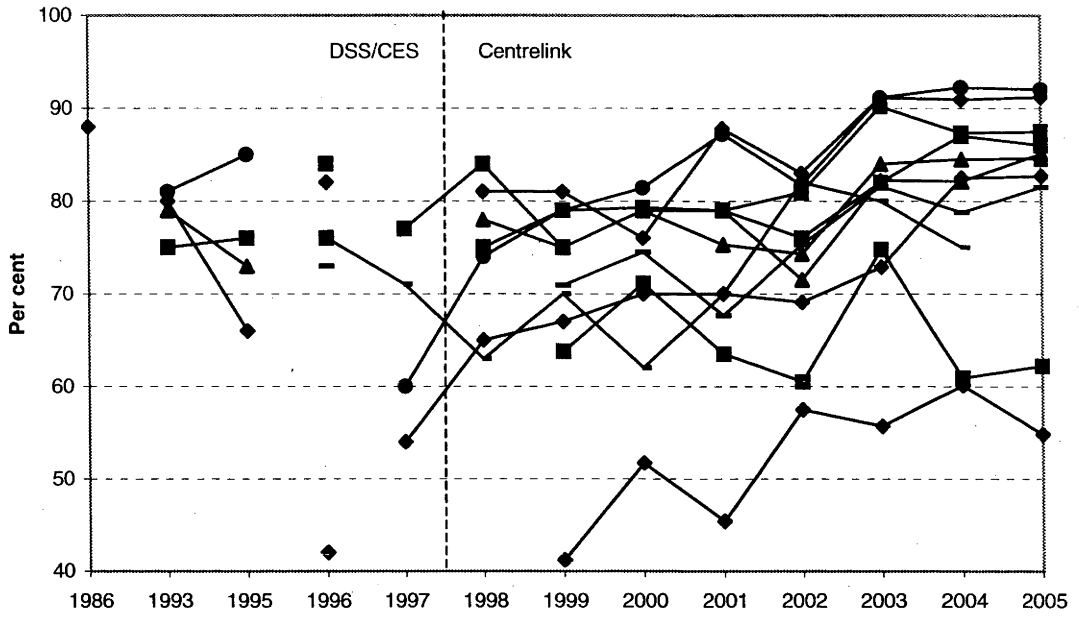
elements function in complex interactions to form perceptions of service quality for which customer satisfaction measurements offer broad insights.

Given the nature of services delivered and the customer groups these services are provided to (income support and employment programs to jobless people) the levels of satisfaction are perhaps surprisingly high and generally within the "rule of thumb" range of 65 per cent to 85 per cent of customers satisfied regardless of the service surveyed (DEETYA, 1996b). Overall, throughout the evaluation period, while the different surveys indicate variable levels of satisfaction for the same periods, this reflects the difficulty of devising methods for measuring customer satisfaction that can objectively indicate a highly subjective attribute.

Merging the results

In drawing together the results of the job seeker satisfaction surveys and providing a broad longitudinal picture, chart 11.12 combines the data that has been displayed in the preceding charts. That is, each of the service attributes plotted in the previous charts of this chapter are incorporated into a single chart. As such, each data series in chart 11.12 is not intended for separate scrutiny as this information has already been provided in detail, together with commentary. The consolidated chart 11.12 is provided to enable the observation of any patterns that may emerge from the different attributes of satisfaction that have been measured.

Chart 11.12: Consolidation of DSS/CES and Centrelink satisfaction ratings



Note: Legend not repeated as Chart provides a consolidated picture.

The data provided in chart 11.12 identifies a number of features. Generally, the satisfaction levels are grouped between the standard 65 per cent to 85 per cent of customers satisfied, supporting the literature that notes satisfaction surveys tend to be skewed, with results biased towards the upper end of the satisfaction scale and few scores occurring towards the lower end (Brown and Swartz 1989; Elam and Ritchie 1996; Fornell 1992). In chart 11.12, the very low levels of job seekers' satisfaction relate to waiting times on the phone and improvements for this item would require significant outlays and staff resources to ensure prompt responses.

The most notable feature of chart 11.12 is that up until 2002, the satisfaction levels of job seekers commonly varies within a range, with no general trend observed. During this time, the percentage of job seekers satisfied with specific service aspects may increase or decrease up to 10 percentage points from one survey to the next. However, in the final three years for when the survey data is gathered, 2003 to 2005, a distinct upward trend in satisfaction for most items occurs. This suggests either a trend of more satisfied job

seekers or the impact of the different survey methodology that commenced with the job seeker omnibus survey in 2003 and continued through to the 2005 survey.

An upward trend in job seekers' satisfaction would be the most desirable outcome for Centrelink and endorse improvements in service effectiveness arising out of the new public management approach that recommends separating policy from delivery. However, attributing this upward trend in satisfaction to the structural reform that came from the establishment of Centrelink would encounter difficulties. For example, other influences, such as the stronger economic growth that has lowered unemployment, would also need to be considered for its impact on job seekers' levels of satisfaction.

A different view is that job seekers' levels of satisfaction have not undergone a recent upward trend, but that different survey methodologies are responsible. In this context, the variations between the satisfaction surveys' findings that predate the 2003 survey reflect the involvement of different market research companies and the associated differences in questionnaire designs, methodologies and analyses that are involved. In the same vein, from the 2003 survey and onwards, the similarities in the surveys' findings reflect the involvement of the same research company and the application of the same survey instruments. Indeed, for the later surveys, the research company often explains variations in the findings from the earlier surveys as reflecting changes to the questions asked in the survey instruments. An argument that supports the survey methodologies of the 2003 to 2005 surveys being responsible for the upward and maintained trend in job seekers' satisfaction is because the increases occur in almost all of the service attributes measured. A more reasonable outcome for the omnibus surveys would be for increases in satisfaction to take place in specific areas of service delivery where improvements may have been implemented. The earlier and unrelated job seeker surveys reduce the chance of survey bias distorting the results and suggest the findings from numerous robust surveys may present a more realistic picture of the range of customer satisfaction that is possible. In this way, the disconnection between the survey methodologies prior to 2003 becomes a positive element, with the variations between the satisfaction findings of

various surveys that employ valid and reliable methods as indicating a general range of possible satisfaction outcomes.

Conclusion

The purpose of this chapter was to examine data relating to the satisfaction of job seekers to the services that deliver income support and employment assistance over a period when the delivery of these services underwent significant change. The chapter sought to determine if improvements in effectiveness, as measured by end-user satisfaction, improve with the introduction of a new delivery structure.

In focusing specifically on Centrelink, this chapter examined the results of survey instruments dating from 1986 through to 2005. Prior to 2003, no trend either upward or downward in customer satisfaction across a range of service elements, and in terms of overall satisfaction, is apparent. However, in the 2003 survey, an upward trend in satisfaction for most items occurs and the following two surveys maintain these high levels of customer satisfaction. Whilst these later results imply more satisfied job seekers, and this may reflect positively on the reformed delivery arrangements, the weight of other possibilities, such as biases in the survey methodologies and contrary findings from other surveys, undertaken during the same period, suggest the increase in job seekers' satisfaction ratings is subject to some degree of question.

Chapter 12: The service effectiveness of the Job Network

As with the previous chapter, this chapter draws together the findings of the survey instruments described in Chapter 10 and develops numerous charts and tables that seek to determine possible trends in job seekers' satisfaction levels with employment services over the period when the government delivery of these services was replaced with private sector providers.

A common feature with the surveys is the use of regression and factor analysis to determine the key drivers of satisfaction. Throughout the 12-year period the surveys span, these drivers of satisfaction remain constant. For example, the 1993 CES survey found the most important aspect in determining job seekers' overall satisfaction levels was an improvement in the chances of gaining employment. Other important aspects related to staff attributes, such as promptness of service, courteousness of staff and the quality of information, including accuracy and timeliness. Similarly, at the other end of the evaluation period, the 2005 survey identifies the two primary contributors to job seekers' satisfaction levels as comprising job seekers' confidence their Job Network member will assist them in finding work and the perceived treatment provided by staff. Four secondary contributors of job seekers' satisfaction levels in 2005 also correspond closely to the important drivers of satisfaction determined in 1993 survey. These

secondary contributors relate to information handling and provision, knowledge about rights and responsibilities, job seekers feeling comfortable about discussing personal information and satisfaction with touchscreens. Given the importance of these service delivery aspects to job seekers, this chapter will examine the survey results for job seekers' confidence their Job Network members have improved their employability, the level of their treatment by staff, information quality and overall satisfaction measurements.

In addition, a number of the survey instruments differentiate respondents according to whether the employment service they are receiving involves job matching, job search training or intensive assistance. These surveys recognise the perceptions of job seekers are based on their experiences of very different types of services and that these services also relate to their length of unemployment or their assessed level of disadvantage. Where possible, the analysis in this chapter classifies job seekers' satisfaction levels according to the employment service that is received.

Confidence in Job Network member

To gain insight into the confidence that job seekers have with their Job Network members, this section examines the confidence that job seekers have in their providers being able to improve their chances of gaining employment and increase job seekers' levels of motivation.

The provision of employment services presupposes that forms of assistance will be offered that improve overall employability and reduce dependency on income support. An important component of such services relates to the way in which providers are able to maintain job seekers' confidence in themselves, improve their levels of motivation and use this to secure tangible employment outcomes.

Research commissioned by DEWR (2001c) into job seeker attitudinal segmentation identifies job seekers on the basis of their motivational characteristics. The links between

the segments and the type of job search activities engaged in are outlined and conclusions are established that position job seekers into a behavioural change model. The role of Job Network members in targeting the appropriate assistance to guide job seekers into a segment that is highly job motivated and open to all employment opportunities links strongly into service aspects that improve job seekers' self-confidence and belief in their Job Network members' ability, and the job seekers' own capacity, to find paid employment.

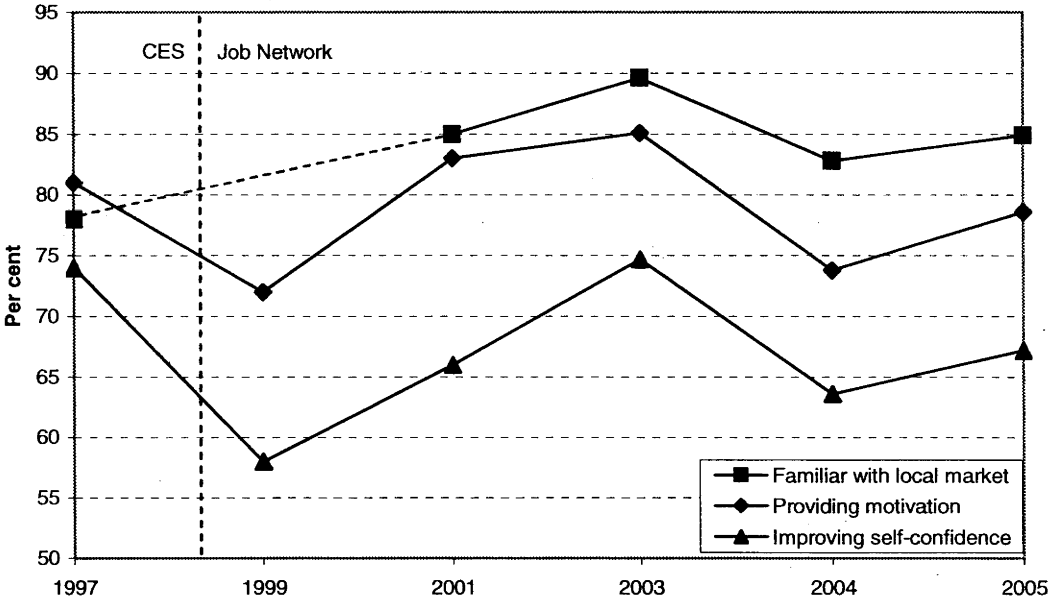
Motivation

A number of attributes are gathered that seek to measure satisfaction related to the encouragement shown by employment service providers. The following chart demonstrates three attributes related to job seekers' satisfaction with their Job Network member:

- having familiarity with the local labour market;
- helping job seekers stay motivated to find work; and
- improving job seekers' self confidence.

Chart 12.1 is able to track these service aspects back to the 1997 CES survey, but only for intensive assistance services. Although this data is also gathered in later surveys for job matching and job search training services, there are no survey results that enable comparisons with delivery by the CES.

Chart 12.1: Aspects related to job seekers' confidence in and motivation from their employment service providers (intensive assistance services), 1997 to 2005



Sources: Survey instruments outlined in Chapter 10.

Chart 12.1 shows that over the period 1997 to 2005, for intensive assistance services the satisfaction of job seekers with their Job Network members' ability to maintain or improve their motivation has undergone cycles of decline and improvement, by sometimes significant amounts. The lower satisfaction level recorded by job seekers is for their Job Network members' efforts in improving their self-confidence. In 1999, a year following the commencement of the Job Network, job seekers' satisfaction level with their employment service providers improving their self-confidence was only 57 per cent. While this level of satisfaction climbed to 74 per cent in 2003, a decline to 64 per cent in 2004 was followed by a satisfaction level of 67 per cent in 2005. The results for Job Network members providing job seekers with motivation varies between a low of 72 per cent of job seekers' satisfied in 1999 to a high of 85 per cent in 2003. By 2005, 78 per cent of job seekers were satisfied with their Job Network members' ability to provide them with motivation. Across all surveys there are high levels of job seekers' satisfaction in the familiarity of their employment services providers with the local labour market.

In terms of improving self-confidence, the results in chart 12.1 suggest that intensive assistance might be struggling to assist the most disadvantaged of job seekers who have the most to gain from behavioural and motivational interventions. These interventions, that do not initially lead to gaining employment, but are on the pathway to eventual independence from income support, go largely unrewarded in an outcomes-based system, such as the Job Network, that is predominantly rewarded by sustained employment as an outcome. The issue of tangible outcomes is examined by Kerr, Carson and Goddard (2002) in a study that explores the impact of the Job Network on mature-age job seekers. These authors describe the case of an employment assistance agency offering specialised services since 1984 to the older unemployed. However, as a result of being unable to satisfy the employment outcome requirements of the Job Network, this agency ceased operating and the valuable counselling services it provided to mature aged jobless people ended.

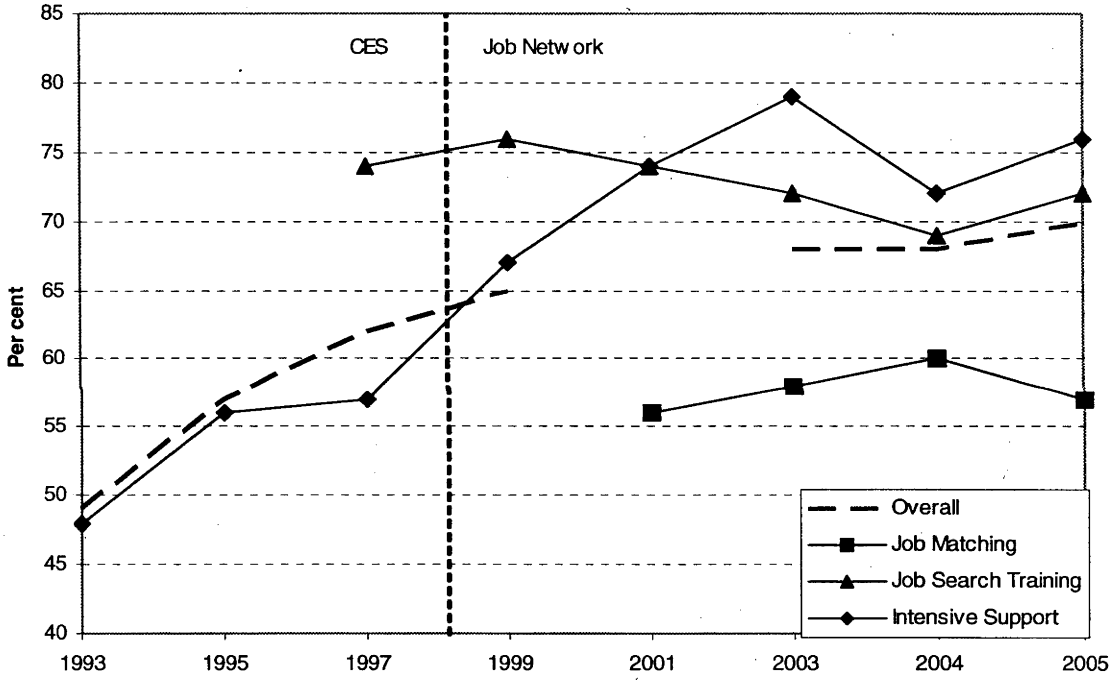
Interestingly, those job seekers receiving intensive assistance services tend to rate higher levels of satisfaction with their Job Network members than job seekers receiving job matching or job search training. This seems paradoxical given that intensive assistance job seekers are the more disadvantaged of job seekers and would be expected to have lower levels of confidence in the system. However, these results fit neatly with the customer satisfaction literature that suggests customers with lower levels of expectations, as would be expected from job seekers in intensive assistance, are more satisfied with lower levels of service quality. Combined with the increased levels of assistance available within intensive assistance services, the additional attention may serve to increase overall levels of satisfaction with service providers.

Gaining employment

From the earliest job seeker satisfaction surveys in 1993, the question has been asked whether job seekers agree the services provided have improved their chances of gaining employment. Chart 12.2 shows significant increases have occurred in the overall levels

of job seekers' satisfaction that their employment service provider will improve their chances of gaining employment. The dotted line, signifying overall satisfaction, increases from 49 per cent in 1993 to 70 per cent in 2005 (note: the figure for 2001 was not provided). Where possible, the chart includes the satisfaction levels for the different employment services, although case management (CES)/intensive assistance (Job Network) is the only service for which satisfaction levels are provided for the entire period.

Chart 12.2: Job seekers' satisfaction with employment service providers improving their chance of employment, 1993 - 2005



Sources: Survey instruments outlined in Chapter 10.

Before judging the results as a success for the Job Network, the questions underlying the measurements across the different surveys are considered. In 1993 and 1995, the surveys asked job seekers if they thought the services provided had improved their chances of getting a job and 'yes' 'no' or 'can't say' were possible responses. For 1997 and 1999, the survey questionnaires were not provided. However, the survey analysis in 1997 reports a response of 38 per cent of job seekers 'agreeing' or 'strongly agreeing' to the

statement that 'the services provided by the CES would not improve their chances of finding a job'. This figure was subtracted from 100 to provide the 62 per cent that is used in chart 12.2 for the overall satisfaction rating in 1997.

In 2001, the overall satisfaction rate was not provided, perhaps because the survey questionnaire only asked job seekers in intensive assistance or job search training, 'to what extent do you agree or disagree that overall the help you received from [Job Network agency] improved your chances of getting a job?'. For those job seekers in job matching services, the 2001 survey examined the relationship between satisfaction and specific actions of Job Network members and concluded that job seekers were more likely to be satisfied the more proactive their provider was. For example, 96 per cent of job seekers in job matching services were satisfied with their providers when they had received help preparing for a job interview. In contrast, the least satisfied job seekers (36 per cent) had registered with their providers because of an interest in an advertised job, but had received no reply to their résumés.

From 2003, when the job seeker omnibus survey commences, all respondents are asked the same questions in the same way and this enables a comparison of the three major services of the Job Network and an overall rating of the degree to which job seekers agree their providers improved their chances of getting a job. The following table shows the questions asked in the 1993 and 1995 surveys and compares this to the 2003 to 2005 surveys.

Table 12.1: Question comparison – Improving chances of gaining employment

1993 and 1995 surveys	2003 to 2005 surveys
Do you think that the services provided by the CES have improved your chances of getting a job? (yes/no/can't say)	To what extent do you agree or disagree that overall the help you received from [Job Network agency] improved your chances of getting a job? (strongly agree/agree/neither agree nor disagree/disagree/stongly disagree/don't know or can't remember)

The differences in these questions is apparent —the 2003 to 2005 surveys are presupposing that help has been received and this suggestion may prompt more job seekers to express satisfaction. Also, the greater range of responses in the later surveys provides the opportunity for job seekers to agree with the statement, but not strongly agree. These differences make it difficult for the results to be directly compared and conclusions developed about whether job seekers are more satisfied with Job Network members improving their chances of gaining employment.

Treatment by staff

Consistent with the customer satisfaction literature, job seekers' perceptions of the attitudes and behaviours of staff are continuously ranked as a key determinant of satisfaction. While treatment by staff has always been an aspect of service examined in the satisfaction surveys, the questions asked over time are too dissimilar to enable direct comparison. Table 12.2 provides an indication of the types of questions that examine staff attributes across the different surveys and compares the responses in these surveys.

Table 12.2: Job seekers' perceptions of staff service aspects of the CES and the Job Network

		Commonwealth Employment Service (% satisfied)			Job Network (% satisfied)				
Response scale	**Question/Statement**	***1993***	***1995***	***1997***	***1999***	***2001***	***2003***	***2004***	***2005***
1993 to 1995 = 4 point scale	Staff are knowledgeable	73	79						
	Staff are prompt	66	79						
1997 = 4 point scale	Staff are considerate of client needs	65	70						
	Staff are courteous	84	90		97				
	Staff are friendly	83	89						
(1999 no scale provided)	Staff take your needs into account				70	68			
	Staff know what they are doing				87				
2001 (JST and IA services only) = 4 point scale	Staff are helpful	80	87	69		92	80	82	83
	Is a fair and reasonable organisation			83		92	88	89	89
	Is reliable and consistent			69		89			
2003 to 2005 = 5 point scale	Treated fairly				95				
	Treated with respect				96		90	94	94
	Treated like a person not a number					92	88		
	Acted quickly to meet needs						78	77	79

Reflecting on the type of questions asked about staff attitudes and behaviours, it is interesting to consider the changes over time that are demonstrated in table 12.2. The questions in the earlier surveys are more direct, relate to a single staff quality and deal with only six aspects — courteousy, friendliness, promptness, consideration of needs, knowledge and helpfulness. In the job seeker omnibus surveys commencing in 2003, the number of questions relating to staff dealings have expanded to 14 aspects and the questions are less straightforward. For example, in the earlier surveys, the question about prompt service simply states whether staff were prompt. In comparison, the later surveys ask a double barreled question that seeks to determine whether staff acted quickly to meet the job seekers' needs. This latter question deals with both speed of service delivery and achievement of outcomes. Respondents may be confused about their responses if staff acted quickly, but didn't fulfil their needs, or when staff performed slowly, but the job seekers' needs were met.

Also, the qualities of staff being friendly and courteous are not covered in the later surveys. Rather, the later surveys ask job seekers about being treated with respect and being treated as a person and not a number. Perhaps the respectful treatment of job seekers is analogous to friendly and courteous treatment, but a service experience can be provided respectfully, without a friendly attitude.

Often, the questions relating to staff service aspects appear similar, but the questions may incorporate subtle changes that place different meanings and interpretations on the responses provided and diminish the capacity to use the data for comparative purposes. Taken individually, the surveys overall indicate reasonable levels of job seekers' satisfaction with the attitudes and behaviours of staff. The poorest satisfaction results relate to the 1997 survey, but this may be explained by the announcement and implementation of the new service delivery arrangements and the disruption to staff and the subsequent flow-on effect for service performance this is likely to have caused.

The only staff attribute that is common throughout all the surveys relates to the helpfulness of staff, although the wordings of the relevant questions differ throughout the

surveys. For example, the following table compares the helpfulness of staff questions from the 1993 and 1995 CES surveys to the 2003 to 2005 job seeker omnibus surveys.

Table 12.3: Question comparison – Helpfulness of staff

1993 and 1995 surveys	2003 to 2005 surveys
How often would you say that CES staff are helpful? (always/most of the time/sometimes/hardly ever, never/can't say)	Thinking about all your dealings with [Job Network agency] to what extent do you agree or disagree that they made you feel like they wanted to help you? (strongly agree/agree/neither agree nor disagree/disagree/stongly disagree/don't know or can't remember)

The question about the helpfulness of staff in the later surveys enables job seekers to express satisfaction with their Job Network members because the staff made the job seekers feel like they wanted to help, regardless of whether such help was provided. Although the opportunity for higher levels of satisfaction seem more likely with the question asked in the later surveys, job seekers rate high levels of satisfaction for staff being helpful in the 1993 and 1995 CES surveys. Similar to other staff attributes, the lowest level of satisfaction with staff helpfulness occurs in the 1997 CES survey when wide-ranging disruptions were taking place as a result of the implementation of the employment services reform.

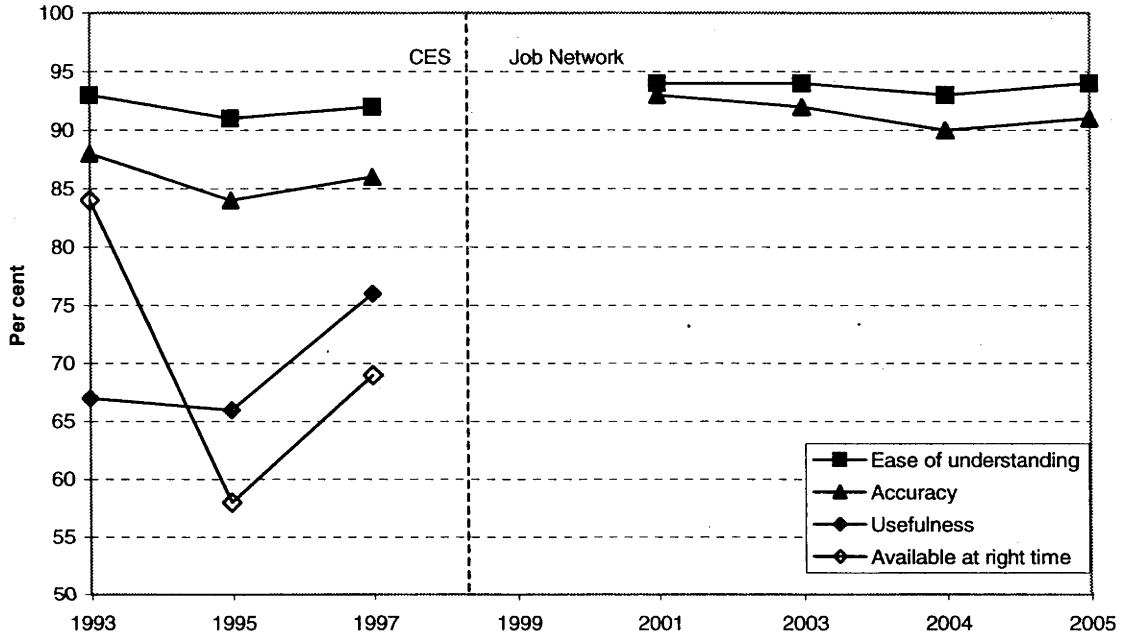
Overall, despite the different questions and possible responses, job seekers' satisfaction with the treatment they receive from staff as shown in table 12.2 are reasonably positive across all the surveys.

Information quality

The provision of quality information is one of the key aspects of service delivery that links into the formation of overall job seekers' satisfaction with services. Chart 12.3 outlines job seekers' satisfaction levels with the 'accuracy' and 'ease of understanding' information, although data for the 1999 survey was not provided. The chart also shows

the satisfaction levels of job seekers to the 'usefulness' of information and whether information was 'provided at the right time', although this data is only available for the period 1993 to 1997 when the CES provided the bulk of employment services.

Chart 12.3: Percentage of customers satisfied with aspects of CES's and Job Network's information, 1993 to 2005



Sources: Survey instruments outlined in Chapter 10.

Chart 12.3 shows that satisfaction with accuracy and ease of understanding information has been consistently high and steady throughout the period from 1993 to 2005. However, the usefulness of the information and whether the information was provided at the right time is significantly lower. No reason is provided for why the satisfaction level for information being available at the right time drops from 84 per cent in 1993 to 58 per cent in 1995. This period coincides with a changing policy environment with increased labour market programs available under the *Working Nation* initiative and structural changes to the employment department brought about by an internal Services and Structure Review. Perhaps the decline in information being available at the right time is because job seekers expected a greater range of program options, but did not receive timely advice or clear information about the services available.

Whilst data on the usefulness and timeliness of information was not collected in the Job Network surveys, and therefore no comparisons are possible, these attributes have been included in chart 12.3 to highlight the differences in the information collected across the different surveys. The more recent Job Network surveys may indicate high levels of job seekers' satisfaction to the provision of information, but the data collected is biased towards questions that returned high levels of satisfaction in the earlier surveys. Asking questions in the later surveys about the usefulness and timeliness of information may have revealed a different picture of job seekers' satisfaction with the provision of information.

Measures of satisfaction

Measures of the overall satisfaction of job seekers with employment service providers are available for the three different types of assistance – job matching, job search training and intensive assistance – and as a combined overall satisfaction measurement.

Satisfaction with job matching services

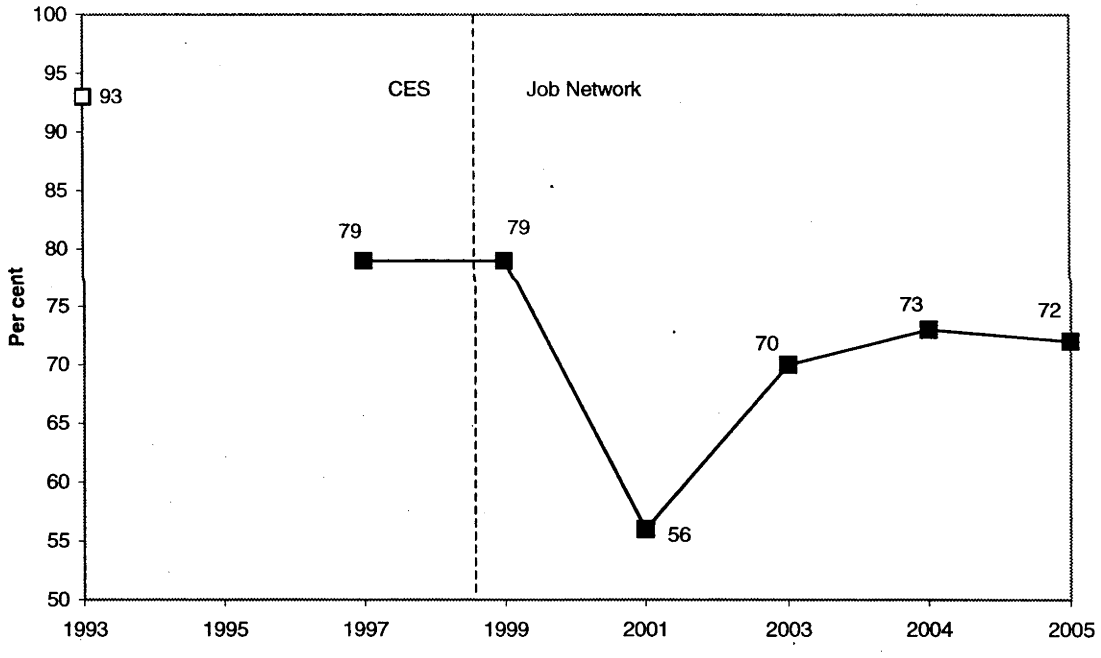
Job seekers' satisfaction with job matching services can be tracked from 1997 to 2005. The figure was not collected in 1995 because this survey placed emphasis on job seekers' satisfaction with case management services, recognising the increasing emphasis that *Working Nation* placed upon this form of labour market assistance. In the 1993 survey, no question was asked directly about overall satisfaction with job brokerage services, but a series of questions about the help received from specific aspects of this service that are similar in nature to the assistance involved in job brokerage services are covered. For example, questions were asked that enquired about job seekers' satisfaction with:

- help looking for a job;
- information on training courses;
- advice on job suitability;

- advice on job prospects;
- careers information; and
- advice on how to look for a job.

In chart 12.4, the figure of 93 per cent for the 1993 survey has been constructed from averaging the responses to these specific aspects related to job brokerage services. However, the 93 per cent should not be treated as equivalent to an overall satisfaction measurement because it lacks input about job seekers' satisfaction of general service aspects and carries no weightings between the different aspects of service.

Chart 12.4: Percentage of job seekers satisfied with Job Matching services, 1993 to 2005



Sources: Survey instruments outlined in Chapter 10. Note: specific job matching services data is not provided in the 1995 CES survey.

The most notable feature of chart 12.4 is the decline in 2001 of job seekers' overall satisfaction level with job matching services from 79 per cent to 56 per cent. The 2001 survey report explains this low level of satisfaction by reference to the other services provided, noting that job search training and intensive assistance delivers additional

value, or increased services, and this attracts higher levels of satisfaction. However, this explanation does not account for the higher levels of satisfaction with job matching services in the other surveys. An alternative suggestion is the initial impact of the Job Network on job matching services.

Under the first Employment Services Contract, the government's approach to contracts for job matching services was built on a price-competitive basis for an agreed number of placements. Agencies were uncertain about the costs of their job matching services and the price competitive approach led to employment agencies bidding downwards. Many Job Network members that were engaged only in job matching services found their businesses financially unviable (Eardley, Abelló and MacDonald 2001). Writers have also commented that, even with the benefit of hindsight, Job Network members would not have increased their fees for job matching services as the department had made the acceptable fee range common knowledge. Furthermore, in some cases the fee finally set was below that tendered by the employment agency (Kelly, Lewis, Dockery and Mulvey 2001, p. 23).

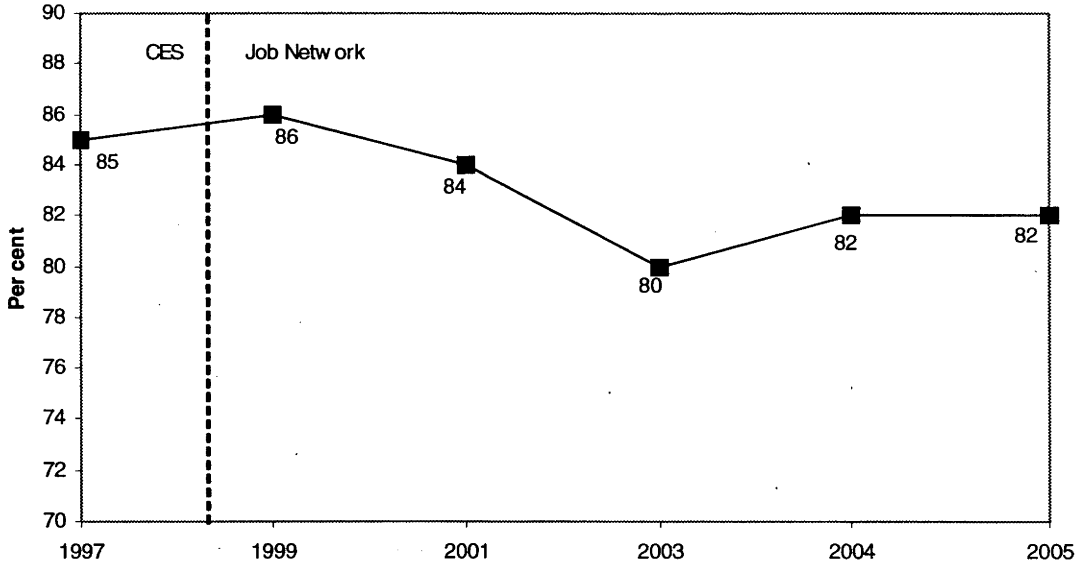
By 2001, the second Employment Services Contract had commenced and adjustments in some areas surrounding job matching services had been resolved, but the legacy of a period from a year earlier may have remained and been impacting on job seekers' levels of satisfaction. The second contract also altered the make-up Job Network providers. For example, the largest private provider in the first contract, Drake Jobseek, did not have its contract renewed. Also, the public provider, Employment National, lost most of its intensive assistance services and was offered the largest share of job matching services. Eardley, Abelló and MacDonald (2001, p. 43) raise concerns about the under funding of job matching services and the implications this had for Employment National. From the early days of operation, the public provider reported financial losses and eventually, in 2003, Employment National was disbanded.

Adjustments to job matching services were continuing as the third contract period commenced in 2003. In acknowledgment of the problems with job matching services, a key feature of the third Employment Services Contract was extending the service to the non-Job Network recruitment industry. In 2003-04, 450 recruitment organisations were given 'Job Placement organisation' licences, thereby enabling job seekers to have access to recruitment agencies and a pool of vacancies not previously available through the Job Network.

Satisfaction with job search training

Job search training services are provided to job seekers who have been in receipt of income support for three months. These job seekers are provided with access to services aimed at improving job search skills and increasing job seeker motivation. The figures in chart 12.5 indicate that a high proportion of job seekers are satisfied with job search training services.

Chart 12.5: Percentage of job seekers satisfied with Job Search Training services, 1997 to 2005



Sources: Survey instruments outlined in Chapter 10.

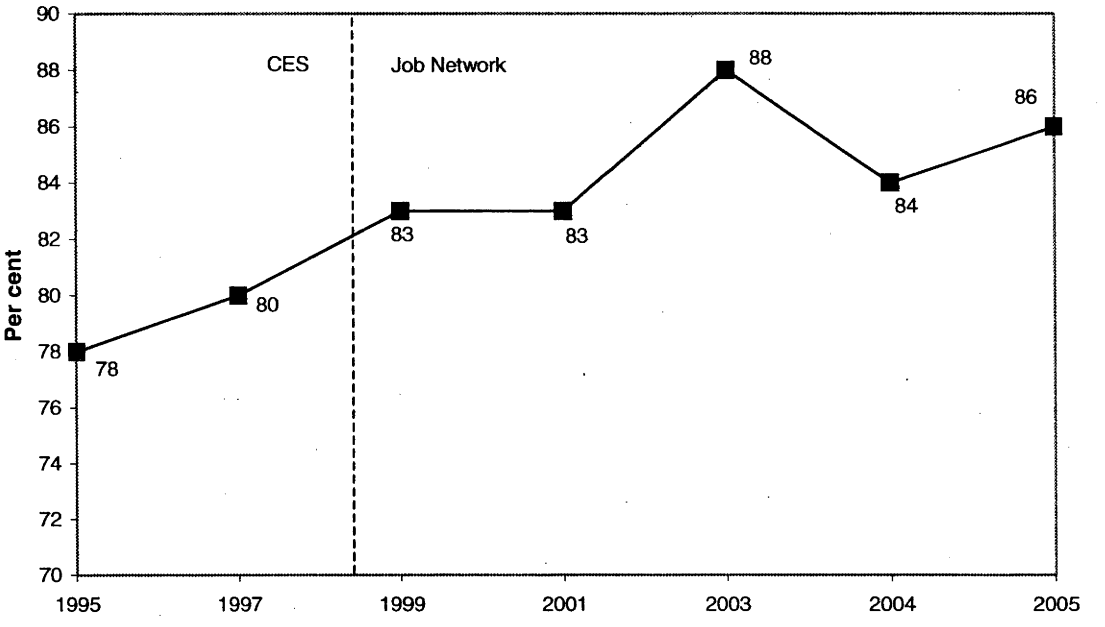
The level of satisfaction is not surprising as these job seekers have spent a period engaged in job search without success and are now provided with training aimed at improving their employment prospects. Perhaps, unintentionally, the design of the Job Network pathway for a 'non-disadvantaged' unemployed person begins with very low levels of intervention that may operate to lower expectations. The increased levels of assistance that follow may result in more satisfied customers given the shaping of low expectations that has taken place in the previous non-interventionist period. Such strategies are discussed in the customer satisfaction literature and were raised in Chapter 9. For example, Sheth and Mittal (1996) suggested that firms should concentrate on approaches directed towards shaping customer expectations to avoid expectations that could lead to dissatisfied customers and lowered profitability.

Satisfaction with intensive assistance services

As with other aspects of the Job Network, intensive assistance services have altered over time. Struyven and Steurs (2005) suggest changes introduced as part of the third Employment Services Contract were aimed at reducing the parking of hard-to-place job seekers. These changes included Job Seeker Accounts and Service Guarantees. The Job Seeker Accounts provide Job Network members with access to a pool of funds quarantined to specific job seekers for the purchase of certain services or products, such as training, clothing and equipment or employer incentives. Although able to be accessed after three months of unemployment, the Job Seeker Accounts provide the greatest amounts of assistance when job seekers commence their first and second periods in the intensive assistance program. The Service Guarantee establishes a set of standards for the services that Job Network members must deliver to job seekers, including minimum levels of contact. Some commentators view these changes as an admission by the government that intensive assistance services have not achieved the employment outcomes intended and that a greater prescription of services is required because the system lacks incentives for Job Network members to invest in the most disadvantaged of job seekers. (Bruttel 2004; Cowling and Mitchell 2003: Eardley 2002a).

Chart 12.6 indicates the percentage of job seekers that are satisfied with intensive assistance services over the period 1995 to 2005.

Chart 12.6: Percentage of job seekers satisfied with Intensive Assistance services, 1995 to 2005



Sources: Survey instruments outlined in Chapter 10.

Chart 12.6 indicates sustained high levels of job seekers' satisfaction with intensive assistance services. The level of satisfaction during the period when the Job Network provides delivery is higher than for the CES, but only by a few percentage points.

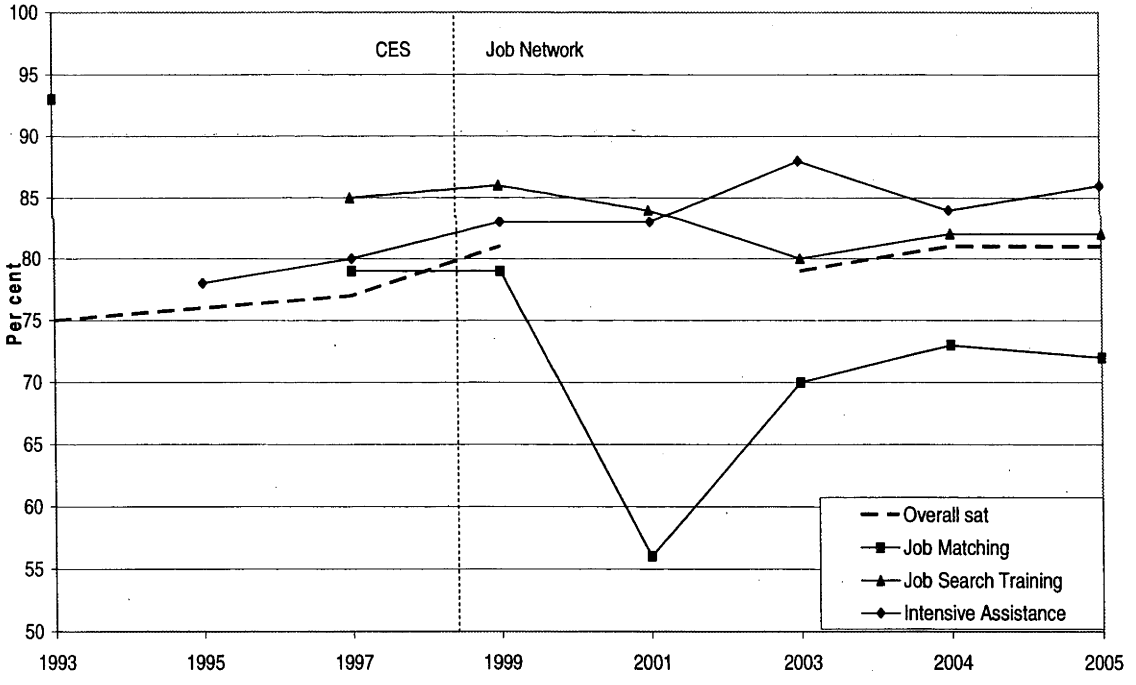
The overall high levels of satisfaction reported by job seekers engaged in intensive assistance are not surprising. The results confirm the analysis of Marston and McDonald (2003), who conducted semi-structured interviews with job seekers undergoing intensive assistance and case managers to understand the nature of the social relations involved. These authors found that job seekers had an overwhelmingly positive regard for their case managers (Marston and McDonald 2003, p. 306). The higher satisfaction levels for intensive assistance compared to overall Job Network services are most likely a reflection

of the personal relationships that develop and the perception by job seekers their specific needs are receiving individualised attention.

Overall satisfaction

The overall satisfaction of job seekers with employment services generally, and for the three major types of employment services, is plotted in chart 12.7. For 2001, the survey results do not provide a figure for the overall levels of job seekers' satisfaction. Grouped together the chart shows the more interventionist services rate higher levels of satisfaction.

Chart 12.7: Percentage of job seekers satisfied overall with employment services, 1993 to 2005



Sources: Survey instruments outlined in Chapter 10.

The difficulty with overall satisfaction ratings for services delivered by a wide range of providers is that variations between individual providers are not acknowledged. The 1993 and 1995 surveys indicate that the overall levels of satisfaction are 75 per cent and

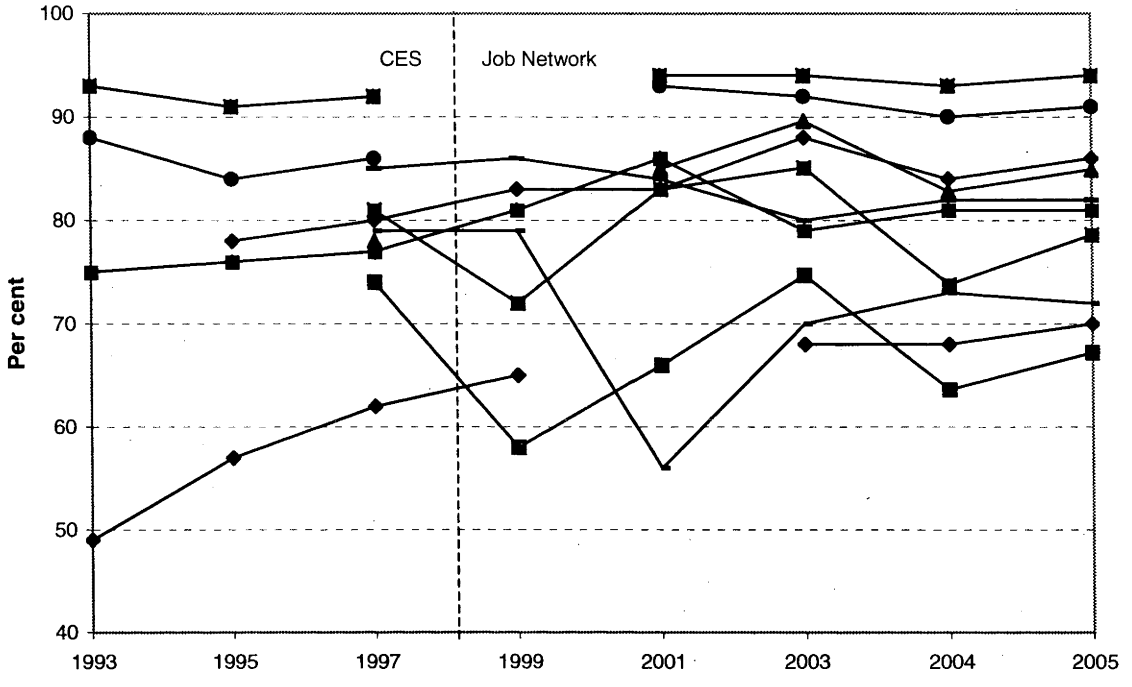
76 per cent, respectively. However, in the 1993 CES survey, levels of overall satisfaction varied across CES outlets from 59 per cent to 90 per cent and in 1995, from 62 per cent to 91 per cent. Global satisfaction measures that do not identify the satisfaction ratings of individual service providers lose the opportunity to enable poor performing agencies to consider the practices of more successful providers and improve their satisfaction ratings by adopting such practices.

The department calculates the employment outcome performance of providers according to the Star Ratings system and provides access to this information. Expanding the reporting arrangements to include measurements of job seekers' satisfaction levels across different Job Network members may facilitate continuous improvement and further assist job seekers in their choice of service provider.

Merging the results

As with the previous chapter on job seekers' satisfaction with Centrelink, each of the satisfaction levels for the individual charts that track job seekers' satisfaction with the CES and the Job Network are incorporated into a single chart. Chart 12.8 draws together these results and provides a broad longitudinal picture of the satisfaction of job seekers for the various attributes of service delivered by employment service providers.

Chart 12.8: Consolidation of CES and Job Network satisfaction ratings



Note: Legend not repeated as Chart provides a consolidated picture.

Unlike the equivalent chart for Centrelink (refer chart 11.12), the results do not show increases in the rates of job seekers' satisfaction over the period coinciding with the job seeker omnibus surveys in 2003 to 2005. Although a similar feature to the Centrelink results is the general flattening out of satisfaction levels over this later period. Prior to 2003, chart 12.8 indicates a greater range in satisfaction levels between the different surveys.

Overall, the results are not supportive of the Job Network achieving higher levels of job seekers' satisfaction compared to the satisfaction levels achieved when the CES delivered employment services. This result is particularly relevant to the outcomes expected under contractualised new public management reforms. This is because the Job Network represents a private sector network of providers and yet the resulting satisfaction ratings over the successive survey periods are less indicative of positive changes in satisfaction than Centrelink's results. Although Centrelink is an organisation that is designed around

purchaser-provider arrangements it has remained firmly within the public sector and theoretically constrained by the associated bureaucratic processes that operate.

Conclusion

The purpose of this chapter was to examine data relating to the satisfaction of job seekers to employment assistance over a period when the delivery of these services underwent significant restructure. The chapter sought to determine if improvements in effectiveness, as measured by end-user satisfaction, improves with the introduction of a new delivery system.

The chapter compared similar service attributes across different survey instruments that cover the period 1993 to 2005. The longitudinal analysis showed that no observed increases in the level of job seekers' satisfaction have taken place, but that continual variation over a range of satisfaction levels for the various service elements is achieved.

New public management calls for reform to the public sector and the whole-scale change that contractualised arrangements require are commonly rationalised through the improvements that are generated for service effectiveness. This chapter examined end-user satisfaction as an indicator of service effectiveness and the findings show satisfaction levels have not increased following a change in delivery from a public system to private providers, but that job seekers' satisfaction levels have remained stable within a broad range of satisfaction measures.

Chapter 13: Cross-sectional analysis – the service effectiveness of Centrelink and the Department of Veterans' Affairs

This chapter compares levels of customer satisfaction between the externalised public sector delivery arrangements, as represented by Centrelink, to a public sector department that did not undergo a structural separation of its delivery services from its policy functions, as represented by the Department of Veteran's Affairs (DVA).

While many customer satisfaction researchers are wary of the difficulties in comparing results across different firms and industries, it is not seen as an impossible task. The idea is not to "lose sight of the generic aspects of the situation and the generic aspects of the goal" (Nicholls, Gilbert and Roslow 1998, p. 246). In this context, Nicholls, Gilbert and Roslow, provide as an example, the substantial difference between the timely service of piloting a cruise ship out of port compared to setting up pins in a bowling alley, but note the service commonality of consumers expecting prompt service in these two divergent areas remains the same. In contrast to this example, exploring the customer satisfaction of job seekers to Centrelink and comparing this to the satisfaction of veterans to DVA appears a feasible and more reasonable undertaking.

For Centrelink, developing a customer service orientation was paramount and much was made of the changed structural arrangements in facilitating this. For example, in celebrating the fifth birthday of the organisation, the Centrelink magazine, *Scope*, noted that, "one of the biggest challenges was to instill a customer service culture into an organisation that had traditionally operated along more bureaucratic lines" (Centrelink 2002b, p. 6). The suggestion in the Centrelink magazine is that the traditional approach of the bureaucracy does not emphasise a customer service culture. However, exploring the material of the veterans' affairs portfolio indicates that delivering high quality customer service and instilling a customer service focus in staff, is a priority area for this traditionally structured bureaucratic department. For instance, the DVA service charter states that, "[i]t (the Service Charter) also reminds staff of the importance of high quality service delivery and the department's commitment to honouring those who have served in our defence forces."(DVA, 2003, p. 121).

An encouraging sign is that DVA has been committed to collecting regular customer satisfaction data since 1995. Initially, general data on satisfaction was gathered, but from 1998 the department changed its approach to specific cyclical surveys of the different areas of service delivery. These areas include health care cardholders, income support recipients and Military Compensation Rehabilitation Services users. As job seekers are recipients of unemployment payment, they most closely align to veterans' affairs' income support recipients and, therefore, it is this sector of the veterans' affairs customer base that will be used for comparison.

It is interesting to note the same marketing research company that undertakes the DEWR job seeker omnibus surveys also conducts the veterans' satisfaction surveys. This provides further confidence in comparing the two customer groups as many of the questions asked of veterans about general service aspects of the department are similar in word construction to the questions asked of job seekers about Centrelink.

It might also be suggested that as the same research company has been commissioned by DEWR and DVA to conduct the customer satisfaction research, similar collection methods, analysis of data and presentation of results has taken place.

Chart 13.1 compares the overall satisfaction levels of job seekers with Centrelink services, as obtained from DEWR data and Centrelink data, to DVA customers in receipt of a DVA pension. The chart does not provide data for 2005 because DVA did not conduct a general veterans satisfaction survey in this year.

Chart 13.1: Percentage of customers satisfied with overall service (veterans, job seekers and all Centrelink customers), 1998 to 2005

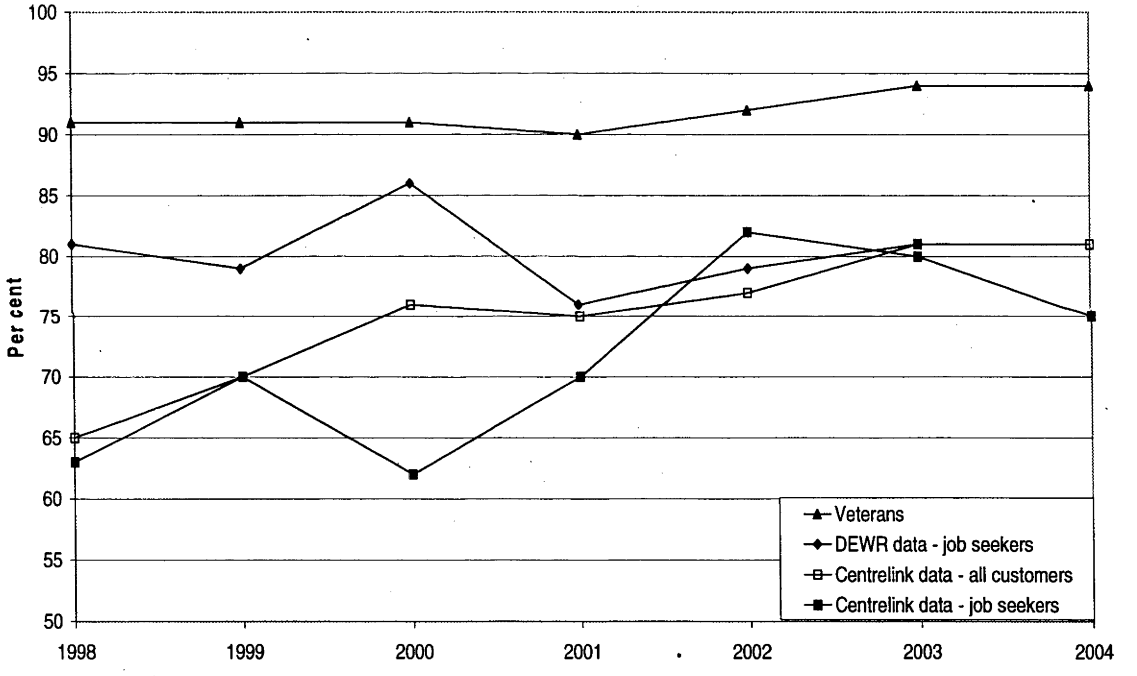


Chart 13.1 shows the overall satisfaction levels of veterans receiving a DVA payment is very high and is always at or above 90 per cent. Compared to job seekers, veterans exceed the satisfaction levels by, a minimum of 10 percentage points in 2002, and by a maximum margin of 29 percentage points in 2000. Overall, during the seven year period

displayed in chart 13.1, the average percentage that veterans' satisfaction levels exceeds job seekers' satisfaction levels is around 17 per cent.

From the results in chart 13.1 a reasonable conclusion is that DVA is providing higher quality services than Centrelink, as reflected in the significantly higher rates of customer satisfaction. However, these results need to be interpreted with a great deal of caution as a number of factors impact on the very high levels of satisfaction shown by veterans. Most veterans have been successful in their most recent income support claim, review or appeal (91 per cent) and, common to most satisfaction surveys, a positive outcome translates into high levels of satisfaction. For job seekers, the outcomes are more complex and relate to finding a job or successfully completing an education or training course, in addition to receiving income support. At the same time, income support for job seekers is reliant on many forms of assessment and participation requirements, including the possible loss of payment for not complying with such requirements. Job seekers might prefer having minimal contact with Centrelink and may respond with higher levels of satisfaction if not compelled to undertake activities and maintain regular contact to ensure unemployment payments are continued.

Also, veterans are generally older than those on unemployment payments and the older age groups tend to rate the quality of services higher, including with Centrelink's age pension population. This might occur because, unlike younger job seekers, older customers have no participation requirements and view their income support as an entitlement rather than a handout requiring a reciprocal obligation. In addition, staff may treat the elderly with greater respect than younger unemployed job seekers who may be blamed for their unemployment status. This show of respect may be particularly applicable to veterans, where staff may acknowledge and express admiration for the war service their customers gave. Survey findings support this conclusion as the satisfaction level of veteran income support customers for the 'courtesy' aspect of service delivery was rated at 97 per cent in 2004, whereas for job seekers in 2004 one of the main reason for dissatisfaction was the negative attitudes shown by Centrelink staff.

Having regard to the research on customer satisfaction, recognition of the way that satisfaction levels are affected by a person's role in the service delivery process may also be a factor. For example, a claimant of unemployment payments may have feelings of shame or guilt and be struggling with thoughts of personal inadequacies and frustration at their predicament. Such feelings may detract from the service experience for an unemployed person. In comparison, a war veteran might approach the service encounter with feelings of pride and accomplishment, with the payment defined as a reward for services rendered.

Veteran income support customers also tend to rate the services received from veterans' affairs as better compared to other government organisations. For example, in the 2004 veterans satisfaction survey, 78 per cent of the survey's respondents rated DVA as better than other government organisations they have had dealings with. This finding suggests that other government organisations, perhaps unaware of the veteran-status of their clients, do not approach aspects of their service delivery in the same way as DVA.

Whilst using DVA as a comparison against the Centrelink arrangements is not an ideal benchmark, it does provide some indication of the quality of services that can be delivered by an established public bureaucracy. That is, the findings demonstrate that a publicly-owned and operated organisation structured on a bureaucratic model that combines policy and service delivery can deliver high quality services as defined by end-user customer satisfaction.

Conclusion

The validity of comparing Centrelink customers with veterans is questioned because of the different ways that the organisations may treat their customers and the recipients' different participation in the service process. It is suggested the results of the customer satisfaction surveys reflect the higher degree of respect that may be shown towards veterans compared to Centrelink customers. Also, the customer base for each

organisation may approach the service encounter differently, thereby influencing the satisfaction outcomes. The results support this view and show the satisfaction levels of veterans are much higher than the satisfaction levels of job seekers and Centrelink customers generally. In conclusion, the findings demonstrate that an organisation which remains structured along bureaucratic lines whereby service delivery is retained within the department is able to achieve high levels of customer satisfaction.

Chapter 14: Conclusion

Centrelink and the Job Network are high-profile and large-scale examples of the application of new public management reform in Australia where service delivery is separated from the development and implementation of policy. When announced, the government was confident that greater efficiency and effectiveness compared to the existing systems of delivery would take place as these outcomes are commonly associated with the application of such reform. However, there is continual debate within the public sector literature about whether the contractualist form of new public management is successful. Taking its cue from government material at the time Centrelink and the Job Network were announced, this thesis defined efficiency as cost savings and effectiveness as improved customer satisfaction. The thesis then set about evaluating whether improvements in these aspects of delivery have taken place.

The evaluation was not seeking to determine whether the structural reforms represented by Centrelink and the Job Network are responsible for improving cost efficiency and customer satisfaction, as such research requires cause and effect modelling. For example, the reasons for improvements might have more to do with the wider environment and under the same conditions the previous delivery structures may have produced similar cost efficiency and customer satisfaction results. Rather, this thesis undertook the first step in the process, by examining whether improvements in cost efficiency and customer

satisfaction appear to have taken place since the establishment of Centrelink and the Job Network.

By way of background, the thesis explored general issues involved in an evaluation process, including specific issues relating to the measurement of efficiency and customer satisfaction. The background chapters highlighted the wide variation in evaluation approaches, but also emphasised the need to ensure that carefully planned and robust methods are applied. The various difficulties in forming accurate conclusions about directions in cost efficiency and customer satisfaction were also discussed.

The data analysis chapters applied a predominantly longitudinal approach, which considered measurements of costs and customer satisfaction ratings over a period of time that included a number of years before, during and after the reform. A cross-sectional analysis, comparing Centrelink to DVA, provided an opportunity to consider the efficiency and effectiveness of service delivery in a structure that separates its delivery components as against one that does not.

The longitudinal cost efficiency analysis recognised that while the delivery mechanisms may have changed, the programs, at their core, were tasked with providing similar services involving the provision of income support and employment services. Initially, a broad view was taken and income support and employment programs were grouped together to form a broad picture of the total costs of the provision of these services. To ensure the comparability of the costs over time, all figures were converted to real terms using 2004 dollar values. The focus of the analysis was then narrowed down to a program level and the costs separated into the amounts required to fund programs and the operational costs of delivering them.

For Centrelink, the findings showed the operational costs of delivering income support payments on a per customer basis, compared to the previous delivery arrangement, had declined for some payments, but had increased for others. Generally, these costs had risen in the case of payment types that involved substantial customer numbers, therefore

explaining the increased level of overall expenses during the evaluation period. The conclusion was that cost efficiency had not improved with Centrelink delivering income support payments compared to the previous departmental structure. In relation to Centrelink delivering specific efficiency indicators, the analysis showed that Centrelink generally functions with net operating losses in meeting the efficiency dividends required by government and that the key performance indicator of price per customer is at a similar level in 2004 as when Centrelink commenced in 1997.

The situation for the Job Network was more difficult than Centrelink to assess, with more assumptions required to match employment programs over time. A broad picture of the costs was developed as figures from the annual reports were modified to retain continuity in whether expenses related to program costs or operational costs for similar categories of employment programs. An analysis of these administered and departmental expenses was unable to support cost efficiency improvements, with the Job Network shown to cost no less in delivering employment services on a per customer basis than the CES.

In terms of customer satisfaction, specific conclusions are not straightforward given the number of companies commissioned to undertake the research, and the various data collection techniques, numerous questionnaires and assorted methods of analysis this involves, as well as the influences of the wider environment over the course of the evaluation period. However, in using the survey results as a general indication of customer satisfaction, rather than as accurate portrayals, the analysis showed that job seekers maintain a range of satisfaction levels that are consistent with the range reported in the satisfaction literature of between 65 per cent and 85 per cent of customers generally being satisfied. In the final years of the evaluation period, Centrelink's customer satisfaction ratings from the DEWR job seeker omnibus surveys showed increases in satisfaction across all attributes. But, reasons were put forward to suggest this may have more to do with the methodology surrounding the surveys, than with actual increases in customer satisfaction levels. Another compelling reason for this conclusion was that the overall satisfaction levels of unemployment payment recipients from surveys conducted by Centrelink over the same period did not indicate similar increases in

satisfaction levels as shown in the DEWR omnibus surveys. As with the Centrelink job seeker satisfaction findings, the satisfaction levels of job seekers to the services provided by the Job Network vary over a range, but do not provide a strong indication that levels of satisfaction have either increased or declined.

In the cross-sectional evaluation of Centrelink and DVA, the analysis did not provide convincing evidence the separated delivery arrangements are performing with greater cost efficiency or higher levels of customer satisfaction than a department retaining a combined approach to policy and service delivery. In relation to costs, DVA was shown to deliver its service and disability pensions at no greater departmental costs per customer than Centrelink's delivery of the age pension and disability support pension. For customer satisfaction, the results indicated the satisfaction ratings of DVA's customers far exceeded the satisfaction ratings for Centrelink's. However, doubt was placed on the comparability of the satisfaction ratings for DVA's veteran customers compared to Centrelink's unemployment payment recipients. Rather than accept the results as an indication that the quality of DVA's services exceeded that of Centrelink's, the analysis concluded that a departmental structure based on the bureaucratic model that combines the policy and service delivery functions is able to deliver services that provides their customers with very high levels of satisfaction.

Implications for new public management theories

The empirical evidence in this case study questions whether the theories associated with new public management, where service provision is separated from policy departments, can deliver the expected outcomes. Cost efficiencies do not appear to have improved with the establishment of Centrelink and the Job Network and customer satisfaction is shown to be highly variable with the results not providing a clear indication that improvements in customer satisfaction have taken place.

It may be the case that the introduction of managerialist techniques during the 1980s for DSS and the CES, as part of the earlier phase of new public management, led to

improvements in efficiency and an increased focus on customer satisfaction. As such, comparing Centrelink and the Job Network with the structures operating beforehand is a comparison of new public management when delivery is externalised to an earlier form where modern management techniques were adopted within the bureaucracy.

If improvements in cost efficiency and customer satisfaction since the establishment of Centrelink and the Job Network are questionable, it does not mean the theories upon which the contractualist form of new public management are built are ill-conceived. Rather, the results may reflect the difficulties of translating these theories into practice or the lack of clear direction for the most appropriate new public management solution to engage in specific situations. In being unable to specify suitable solutions, new public management is described as lacking a "sub-model of implementation" (Boyne, Farrell, Law, Powell and Walker 2003, p. 155). A sub-model of implementation would indicate the specific new public management interventions to apply in certain types of organisational situations to be assured of successful outcomes. However, given the number of years that new public management has been discussed, applied and evaluated, it may be the new public management set of ideas are incapable of constructing an implementation sub-model. Under this scenario, research is unable to prove or disprove the merits of the theories that underlie new public management. This feature is not unique to this set of organisational theories. Numerous other theories of organisational design are proposed, but none of these theories, or the practices related to them, offer universal solutions for producing the most efficient and effective outcomes.

In some instances a contingency view is put forward that seeks to provide an organisational solution to suit specific contexts. Such is the case with public choice theory that outlines situations for when a hierarchy is superior to a market. These situations relate to the capacity for assets to be put to alternate uses, the level of uncertainty generated by information imbalances and the number of suppliers. In this way, public choice theory recognises that private sector firms are not inherently designed to deliver services more efficiently and effectively than the bureaucracy. In light of this, Niskanen (1971, p. 218) suggested that experiments to determine whether the supply of

public services should be undertaken by bureaucracy or private firms would lead to a large part of the bureaucracy surviving "this challenge by improving its own performance to equal or exceed that of other forms of organisation".

An extreme contingency view questions the search for appropriate structures or practices to apply in certain situations, suggesting the influence of internal and external variables is so substantial the appropriate choice of design is indefinable and the results never certain. In any case, the contingency view is at variance with the way new public management has been adopted and the emphasis placed by reformers on private sector management practices and market-based mechanism as the optimal solution for delivering services in the most efficient and effective ways. That is, a contingency approach would consider each situation on its merits, with private sector structures and practices neither more nor less superior than those of the public sector. Ultimately, if the outcomes of new public management are uncertain and the theories that support their introduction are unable to provide sound direction on issues involving their implementation, then the wide-ranging adoption of reform based upon them is questioned.

Future research

The Howard government sought public consultation on their proposed employment services reforms, but these consultations involved peripheral matters, particularly related to the obligations of job seekers or the structure of incentives in contracts for employment service providers. In terms of the substantive structural direction, involving a reduced delivery role for the bureaucracy, the establishment of a specialised delivery agency and the development of a competitive employment services market, the government was firmly committed to introducing a reformed services delivery framework. The extent to which the basic framework for the reform or the final detailed structure of operations relied upon a knowledge and understanding of new institutional economics is uncertain, but is unlikely to have been a dominant factor.

The government did consider a departmental review of the *Working Nation* employment programs and although subsequently found to be methodologically lacking[22], the results were part of the justification for introducing the employment services reform. However, a failure of programs does not necessarily equate with a failure in the programs' delivery mechanisms or of the organisational structures surrounding these. Blame could equally be placed upon the theories underlying the interventions supported by the programs. One argument is the *Working Nation* programs were not in operation long enough to allow for a meaningful evaluation of their impacts to take place. Notwithstanding, the programs were abolished prior to the commencement of the Job Network, revealing that ending significant and large-scale programs do not require structural reform to take place and that reduced program costs should not be wholly attributed to the Job Network.

It is more plausible to assume the employment services reform in Australia reflect a certain way of looking at perceived problems and how these might be resolved. This perception relates to the fundamental purpose of the bureaucracy, its role in the success or failure of programs and the operation of incentives in competitive markets. Such views are not certainties, but are beliefs that should be openly questioned and discussed.

Accordingly, with structures such as Centrelink and the Job Network reflecting such beliefs, research on their impacts and performances should be ongoing. Following on from this thesis, research may consider the implications for cost efficiency and customer satisfaction of the October 2004 administrative changes. Alternatively, other evaluative methods might be applied or different aspects of performance evaluated and compared to the previous delivery structures. For example, Chapter 2 explored operational issues that are commonly discussed in the literature as negatively impacted in the process of public sector reform. These issues included accountability, policy capacity, performance management and citizen responsiveness. The impact of Centrelink and the Job Network on these areas are possibilities for future research. Overall, despite the number of years

[22] Refer to research by P. Junankar and C. Kapuscinski (1997)

since Centrelink and the Job Network were established, many issues remain uncertain and the area is disposed to a great deal of further research.

Conclusion

During the course of the twentieth century the size and influence of public bureaucracies expanded greatly and concerns associated with the level of bureaucratic power in shaping and directing government policies were raised. It is not surprising the adoption of approaches, such as new public management, questioning the role of the bureaucracy would achieve popularity. However, despite the valid questioning of bureaucracy's role, the platform upon which reform progressed was the wastage and inefficiencies that arise out of inappropriate incentive systems that operate in the public sector.

Evaluative research, such as that undertaken in this thesis, questions whether bureaucracies that combine service delivery and policy within single organisations are as inefficient and ineffective as the theories behind the contractualist form of new public management would suggest. Furthermore, the widespread and swift adoption of these types of new public management reform has raised genuine issues about possible negative consequences and issues such as policy coherence, strategic capacity and accountability are commonly discussed. In the case of developing nations, numerous writers have cautioned against the widespread adoption of new public management reforms that seek market-based delivery solutions given the lack of formal control systems in these countries and the opportunities for fraud and corruption that operate (Borins 1998; Schick 1998).

In practice, the examples of Centrelink and the Job Network suggest that new public management reforms may become less desirable over time. In the case of Centrelink, the agency remained within the public sector, but its design sought to incorporate private sector practices and a degree of autonomy. For example, service agreements with purchasing departments specified respective roles within a quasi-contractual framework and a Board of Management, that included representatives of the private sector, was

responsible for setting overall strategic directions and assisted in establishing a management structure that was at arm's length from government. However, the location of Centrelink within the social security portfolio blurred the distinctions between policy and delivery, with political imperatives taking precedence over the autonomous design structure (Halligan 2004). The administrative rearrangements of October 2004, that removed Centrelink from the social security portfolio and placed the agency within the new Department of Human Services, also dissolved Centrelink's Board and re-established a more traditional public sector structure of accountability. In speaking about the role of the department, the human services Minister noted that "the Government is keen to have a more direct ministerial role in the running of these Agencies" and that "these Agencies will now report directly to me through the Secretary of the Department of Human Services" (Hockey 2005, p. 3).

Similarly, the Job Network, designed to become a fully competitive market with the business of the CES being outsourced to private firms, has over time been placed under increased restriction from the government with the degree of specification escalating in each successive employment services contract (Thompson and Marston 2006). This feature exposes the new public management dilemma of enabling providers to be innovative and flexible, while at the same time preventing undesirable behaviours[23]. This tendency for increasing government control has also been recognised in the British experience of new public management where denationalisation has led to "the introduction of massive regulation" (Lane 2001, p. 44).

As is often the case with reform, the swinging pendulum may be slowing as the shortcomings and risks of restructured service delivery reveal themselves. In the case of Centrelink and the Job Network the current arrangement may be less progressed than its

[23] For example, in the Senate Estimate Committee Hearings of June 2001, Opposition members raised the issue of a Job Network member securing, through their subsidiary company, 15-hour employment contracts that paid job seekers less than the job matching placement fee for such an outcome (Senate Employment, Workplace Relations, Small Business and Education Committee 2001, pp. 98 – 104). The subsequent investigations of this specific case resulted in revised departmental guidelines and the recovery of payments from the Job Network member that exceeded $500,000.

designers envisaged. For example, despite the initial thoughts of Centrelink's chief executive officer and the Secretary of the social security portfolio that Centrelink could be operating within a competitive environment, this has not eventuated. Likewise, commentators on the Job Network note the reduced opportunities that new providers have to enter the market and indicate that it is less meaningful to describe the structure as competitive, with the government opting for stability rather than greater competition (Eardley 2002a). Overall, this thorough examination of government annual reports, financial statements and customer satisfaction surveys, provides no clear evidence that efficiency and effectiveness have improved since Centrelink and the Job Network were established. Perhaps as the body of evidence increases that casts doubts upon the assumptions held by some that public sector delivery is wasteful and inefficient and that private sector organisations are inherently competent and efficient, governments may turn their attention towards successful organisations that demonstrate efficient and effective service delivery and focus on understanding how this success is achieved.

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Appendix 1: List of Freedom of Information documents

Note: not all documents fully released.

Date	Document	Author	No. of pages
1997	1997 Natioanl Quantitative Survey of Job Seeker Satisfaction with Employment Service Quality in the Commonwealth Employment Service	DEETYA	59
April 1998	1998 National Survey of Job Seeker Satisfaction with Centrelink Service Quality: Final Report	AC Nielson	47
1999	Survey of Job Seeker Satisfaction and Perceptions with Job Network	DEWRSB	9
September 1999	National Survey of Job Seeker Satisfaction with Centrelink Service Quality	Wallis Consulting Group	47
December 1999	Survey of Employers' Perceptions of the Job Network	Wallis	81
2000	Key Findings from the 1999 Employer Survey	DEWRSB	15
February 2000	Job Seeker Satisfaction with Centrelink Services, 2000 survey, Main report	Market Solutions	94
April 2000	2000 Survey of Job Seeker Satisfaction with Centrelink Services	Market Solutions	59
2001	2001 Survey Series – Job Seekers Summary Report	Market Solutions	75
2001	2001 Survey Series – Job Seekers Main Report	Market Solutions	98
2001	2001 Employer Survey Papers	NFO Donovan Research	
	Topic 1: Recruitment in the 21st Century		8
	Topic 2: Employer Endorsement of Job Network		12
	Topic 3: Service Quality: Best Practice Ideas for Job Network		10
	Topic 4: Internet Recruitment and JobSearch		11
	Topic 5: Employer Attitudes about Job Seekers		8

Date	Document	Author	No. of pages
2002	Findings from the 2002 Job Seeker Survey	NFO Donovan Research	
	Job Seeker Choice of Service Provider		7
	Job Seeker Use of Self Help Facilities		7
	Participation and Obligations		9
	Registration and Information Provision		9
2002	2002 Survey Series – Job Seeker Evaluation of Employment Services (Centrelink) Survey	The Social Research Centre	63
February 2002	2001 Survey of Job Network Participants	Concerto Consulting Group	114
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers	Orima Research	49
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix A: Omnibus Questionnaire	Orima Research	41
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix B: Impact of Methodological Changes on Survey Results	Orima Research	13
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix C: Environmental Context for Employment Service Providers	Orima Research	17
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix D: Weighted Aggregate Frequencies	Orima Research	28
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix J: Crosstabulation Analysis Results for Job Seekers Aged 15 – 20 Years	Orima Research	40
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix K: Crosstabulation Analysis Results for Job Seekers Aged 15 – 24 Years	Orima Research	40

Date	Document	Author	No. of pages
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix L: Crosstabulation Analysis Results for Job Seekers Aged 45+ Years	Orima Research	40
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix M: Crosstabulation Analysis Results for Female Job Seekers	Orima Research	42
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix N: Crosstabulation Analysis Results for Remote Job Seekers	Orima Research	39
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix O: Crosstabulation Analysis Results for Job Seekers from a non-English Speaking Country of Birth	Orima Research	38
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix P: Crosstabulation Analysis Results for Job Seekers with Disabilities	Orima Research	41
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix Q: Crosstabulation Analysis Results for Sole Parent Job Seekers	Orima Research	41
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix R: Crosstabulation Analysis State Breakdown of Results	Orima Research	127
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix S: Crosstabulation Analysis Type of Assistance	Orima Research	71
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix T: Crosstabulation Analysis Duration of Unemployment	Orima Research	68
October 2002 – February 2003	Job Seeker Omnibus Survey – Perceptions of Employment Service Providers, Appendix U: Crosstabulation Analysis Educational Attainment	Orima Research	70

Date	Document	Author	No. of pages
February 2003	Employment Service Provider Performance Report	Orima Research	6
February 2003	Perceptions of Centrelink – Aggregate report, 2003	Orima Research	64
February 2003	Perceptions of Centrelink – Aggregate report, 2003, Appendix B: Impact of Methodological Changes on Survey Results	Orima Research	6
February 2003	Perceptions of Centrelink – Aggregate report, 2003, Appendix R: Open-ended Comments	Orima Research	54
March 2003 – September 2003	Job Seeker Omnibus Survey – Methodology Report	Orima Research	28
March 2003 – September 2003	Job Seeker Omnibus Survey: Appendix A – Questionnaire	Orima Research	39
February 2004	Perceptions of Centrelink – Summary report, February 2004	Orima Research	4
October 2003 – February 2004	Job Seeker Omnibus Survey – Perceptions of Job Network Members: Aggregate Report	Orima Research	48
October 2003 – February 2004	Job Seeker Omnibus Survey – Perceptions of Job Network Members: Appendix A – Omnibus Questionnaire	Orima Research	36
October 2003 – February 2004	Job Seeker Omnibus Survey – Perceptions of Job Network Members: Appendix B – Environmental Context for Employment Services	Orima Research	17
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix C: Weighted Aggregate Frequencies	Orima Research	25
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix D: Crosstabulation Analysis Results for Job Seekers Aged 15 – 20 Years	Orima Research	33
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix E: Crosstabulation Analysis Results for Job Seekers Aged 15 – 24 Years	Orima Research	37
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix F: Crosstabulation Analysis Results for Job Seekers Aged 45+ Years	Orima Research	38

Date	Document	Author	No. of pages
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix G: Crosstabulation Analysis Results for Female Job Seekers	Orima Research	39
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix H: Crosstabulation Analysis Results for Remote Job Seekers	Orima Research	39
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix I: Crosstabulation Analysis Results for Job Seekers from a non-English Speaking Country of Birth	Orima Research	38
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix J: Crosstabulation Analysis Results for Job Seekers with Disabilities	Orima Research	39
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix K: Crosstabulation Analysis Results for Sole Parent Job Seekers	Orima Research	39
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix L: Crosstabulation Analysis State Breakdown of Results	Orima Research	132
October 2003 – February 2004	Job Seeker Omnibus Survey - Appendix M: Crosstabulation Analysis Type of Assistance	Orima Research	63
2002 to 2005	Service Quality in Job Network	DEWR	4
February 2004	Job Network Summary Report, 2003 to 2004	DEWR	6
August 2004 – May 2005	Job Seeker Omnibus Survey – Service Quality and Overall Satisfaction with Job Network Members	Orima Research	28
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix A: Survey Methodology	Orima Research	10
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix B: Environmental Context for Employment Services	Orima Research	17
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix C: Weighted Aggregate Frequencies	Orima Research	31
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix D: Crosstabulation Analysis Results for Job Seekers Aged 15 – 20 Years	Orima Research	42
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix E: Crosstabulation Analysis Results for Job Seekers Aged 15 – 24 Years	Orima Research	42

Date	Document	Author	No. of pages
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix F: Crosstabulation Analysis Results for Job Seekers Aged 50+ Years	Orima Research	42
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix G: Crosstabulation Analysis Results for Female Job Seekers	Orima Research	42
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix H: Crosstabulation Analysis Results for Remote Job Seekers	Orima Research	42
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix I: Crosstabulation Analysis Results for Job Seekers from a non-English Speaking Country of Birth	Orima Research	42
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix J: Crosstabulation Analysis Results for Job Seekers with Disabilities	Orima Research	42
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix K: Crosstabulation Analysis Results for Sole Parent Job Seekers	Orima Research	42
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix L: Crosstabulation Analysis State Breakdown of Results	Orima Research	135
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix M: Crosstabulation Analysis Type of Assistance	Orima Research	62
August 2004 – May 2005	Job Seeker Omnibus Survey - Appendix O: Omnibus Questionnaire	Orima Research	36
2005	Employer survey – Recruitment in the 21st Century (Background)	Wallis	1
2005	Perceptions of Centrelink – Summary report for 2005	Orima Research	5
June 2005	Centrelink Service Quality	Orima Research	23
June 2005	Registration and Mutual Obligation	Orima Research	13
June 2005	Contact with Centrelink	Orima Research	6